Rogers Communications Inc.
77th Annual Report 1996

Rogers | 96

ROGERS' GOAL IS TO BE CANADA'S FIRST CHOICE FOR INFORMATION, COMMUNICATION AND IN-HOME ENTERTAINMENT SERVICES.

Satisfying the expectations of customers, shareholders and employees requires that Rogers do four things very well.

1 Differentiate ourselves from competitors by providing outstanding service to customers.

2 Develop strong brands, and build strong relationships with strategic partners, to bundle and support our products.

3 Build advanced, interactive networks that provide innovative products and services in key population centres.

4 Maintain the financial flexibility that enables us to respond to both competition and opportunities.

Ted Rogers
President and Chief Executive Officer,
Rogers Communications Inc.

To Our Shareholders

In 1996, we made good progress in each of the four areas of our goal. I believe it's worth describing in some detail where we are in our work, and where we are going. In other words, to talk about the future of Rogers as I see it.

Rogers Cablesystems will continue to grow

There is currently a great deal of discussion about the future of the cable industry. It's true that one-way, low capacity analog cable television systems have seen their best days as a leading technology. That's why Rogers has been building high capacity, interactive, hybrid fibre coaxial ("HFC") networks in dense urban clusters since 1989.

HFC networks require substantial capital to build, as our recent capital investment record attests. Yet these HFC networks are strong platforms for growth, particularly when they are concentrated in expanding areas. At Rogers, we have some of the most clustered networks in the world. Our 2.2 million subscribers are located in four large concentrations, in two prosperous economic areas of Canada: Ontario and the Lower Mainland of British Columbia. And it is precisely because we've committed to high capacity, interactive, HFC networks that we are rolling out a series of new products and services.

Early in 1996, we began deploying an expanded pay-per-view offering with up to 20 channels. This has resulted in a near doubling of our movie buy rates. Now we're busy activating the two-way component of our HFC networks and have begun rolling out an impulse pay-per-view service. This service simplifies pay-per-view ordering by removing the requirement to place a

telephone call. Impulse pay-per-view allows customers to select particular movies or events by interacting with our state-of-the-art cable plant using their remote controls. Initial indications are that purchases of impulse pay-per-view programming are even higher than expanded pay-per-view.

Another product with tremendous potential that is now available over selected but expanding portions of our HFC network is high-speed Internet access, which together with several other major Canadian cable companies, we have branded "WAVE™". In late 1995, we embarked on our first commercial launch of WAVE, making WAVE available to 16,000 of our basic subscribers in Newmarket, Ontario. Twelve months later, about five percent of this base had also become WAVE customers. On November 12, 1996, we commenced our rollout of WAVE to a larger customer base of over 200,000 basic subscriber homes. We expect to make WAVE available to over 1.2 million basic subscriber homes by the end of 1997 and to about 2 million by the close of 1998.

We're not concentrating entirely on residential entertainment and communication services for new sources of revenue. Rogers Network Services ("RNS") uses fibre-optic cable to provide high speed data services to business customers in Toronto, Vancouver and Ottawa. RNS also serves the specialized, local needs of long-distance and Personal Communications Services ("PCS") providers, as well as the important data communications needs of banks, retailers and governments. RNS is a growing competitive carrier that achieves the highest levels of network reliability and customer service, as evidenced by its service availability of 99.996% and average repair time of 91 minutes. By the end of 1996, RNS linked over 700 commercial buildings. Through our participation in vision.com, the Canadian cable industry's research and development organization, these services will be made available in most of Canada's major centres by the year 2000.

New sources of revenue such as expanded and impulse pay-per-view, WAVE and RNS are possible because we have highly clustered, technically advanced communication systems in desirable locations. There is still work to be done and further investments to be made. Yet the investments we make will increasingly be demand-driven, variable capital expenses rather than up-front capital commitments.

Strengthening Cantel® with the global AT&T™ brand

Rogers Cantel had a year highlighted by the introduction of several new initiatives that will enhance value for Cantel and Rogers Communications shareholders alike. One particularly important initiative is the strategic alliance between Rogers Cantel and AT&T. The alliance includes a brand licensing agreement as well as a marketing and technology sharing agreement. The brand licensing agreement grants Rogers Cantel exclusive rights to use the AT&T trade-mark on a co-branded basis in Canada for mobile wireless services.

The Cantel® AT&T™ alliance brings together Canada's strongest national wireless service brand with the world's most recognized telecommunications brand into a powerful new co-brand.

The Cantel® AT&T™ alliance brings together Canada's strongest national wireless service brand with the world's most recognized telecommunications brand into a powerful new co-brand. The co-brand reflects the technological leadership, quality, reliability, customer service and depth of resources with which the AT&T brand has long been associated. We are particularly pleased with the alliance given that AT&T considers the brand to be its most valuable asset.

The marketing and technology sharing agreement between the companies will lead to a truly seamless North American wireless market using common technologies. It will enable Rogers Cantel to reduce operating costs, improve competitiveness, and introduce new products and services. Rogers Cantel and AT&T Wireless Services use the same Digital PCS technology, allowing customers, by the end of 1997, to use their Cantel AT&T Digital PCS phones in an area covering more than 230 million people, or 80 percent of the North American population. Such breadth of coverage will lead the entire industry by a wide margin.

Rogers Cantel is Canada's largest wireless telecommunications company and the only one to hold national licences for cellular, PCS and paging. The company has nearly 1.4 million cellular customers and over 240,000 paging customers. That's not surprising: Rogers Cantel's networks stretch from the Atlantic to the Pacific and cover over 92 percent of the Canadian population with analog cellular service. More importantly, its digital network already covers more than 72 percent of the Canadian population. With minor modifications, this same network will soon provide Digital PCS coverage to 72% of the Canadian population. With the major advances we have made in customer service, marketing and distribution channels in 1996, Rogers Cantel will be able to secure a growing share of the expanding wireless industry.

There are sound business reasons for owning video stores, radio stations and magazines.

One of Rogers' core businesses is in-home entertainment. In addition to being Canada's largest provider of in-home entertainment over cable, we are also the country's second largest video retailer. Video cassette rentals and sales continue to appeal strongly to consumers, due largely to their perceived high value and the earlier release advantage that video cassettes have over other forms of delivery, such as pay television and pay-per-view. Movie studios have been widening the release window in recent years because of increasing revenues from video cassette rentals and sales. I believe this trend will continue, making the future for our video stores very bright indeed.

Our video stores are also a key component of Rogers' goal of being the first choice for in-home entertainment in Canada. The video stores are increasingly becoming integrated retail outlets that provide our customers with the opportunity to shop for Cantel AT&T wireless services, Rogers Multi-Media magazine publications and Rogers Cablesystems' products and services.

Rogers Multi-Media is an important component of Rogers Communications. The company is one of Canada's largest media enterprises, with businesses in magazine publishing and radio and television broadcasting. It generates good cash flow with minimal capital expenditures, and provides integrated advertising opportunities for the other Rogers companies. The Multi-Media group will also play an increasing role as a developer of content for other parts of the Rogers group of companies.

Like Rogers Video, Rogers Multi-Media represents another opportunity to distribute high-quality entertainment and information to the home. Broadcasting enjoyed strong revenue growth in 1996. Publishing gained market share in all of its segments, delivering its best performance in years. We expect both Broadcasting and Publishing to continue to grow as its existing properties improve, and as we develop customized solutions that meet advertisers' needs for integrated advertising programs with broad reach.

An important initiative during 1997 will be Multi-Media's ongoing development of its exclusive Canadian licence for Yahoo! Canada™. This popular Internet directory fits perfectly with our strategy of aligning ourselves behind strong brands and is a tremendous opportunity for Rogers to do its part in promoting Canadian content on the Internet.

From technology-driven to customer-driven

Let me be clear: each Rogers company is committed to offering the highest quality of service to customers. At Rogers Cablesystems, for example, we have opened technically advanced call centres in our cable areas. In 1997, we will introduce intelligent routing which will automate language choice in English, French, Cantonese and other languages. Moreover, Cablesystems makes technical service calls when it's convenient for customers, and offers extended business office hours. Similarly, Rogers Cantel has doubled its customer service staff in the past year and completed an extensive customer survey that is resulting in many improvements and will reduce subscriber churn.

Taking a lesson from Rogers Cantel, in 1996 Rogers Cablesystems introduced a packaged pay television service called The Ticket™. The Ticket bundles programming, equipment and value-added items such as movie guides and rental coupons from Rogers Video, all in a branded box. Providing value for money is our key objective. The attraction of a product like The Ticket is that it gives the customer what they want, where they want it, at a discount. The Ticket dramatically reduces pay television subscriber churn, as every subscriber is asked to sign a one-year contract.

In my view, providing distinctive customer service also means being a distinctive presence in the communities that support the Rogers' companies. That's why we actively foster the development of Canadian expression, particularly through our financial support of Canada's film and

television industry and its major festivals in Toronto, Vancouver and Banff, the Canadian Conference of the Arts, Canadian publishing and a variety of contemporary galleries and theatres. We also contribute, both corporately and through the volunteer efforts of thousands of our employees, to the promotion of education, health and social welfare in our country. We believe these activities to be a fundamental and ongoing responsibility of Rogers.

The future of digital is here

I expect that telecommunications will be almost entirely digital in the not-too-distant future, and that Cablesystems must also offer digital programming. Like many cable operators, Rogers has every intention of providing a digital cable service. Rogers also recognizes that digital radio offers the sound quality of a compact disc, along with reception which is virtually free of interference. So we believe the "sound of the future" for radio is clearly digital.

With respect to wireless, Digital PCS is terminology, not technology. While others will have to endure the pains of growth, with minor modifications, 72 percent of our cellular network is already capable of offering Digital PCS. The quality of the Rogers Cantel network enabled us to be the first to offer Digital PCS to Canadians. We launched Digital PCS in Montreal during 1996. Digital PCS offers enhanced call security, extended battery life, alpha-numeric text messages, caller identification, exact pricing and visual call waiting. More services are to come. With our national digital capability, strong brands and top quality engineers, Rogers Cantel will be a potent force in Digital PCS in Canada.

Being competitive

Rogers is no stranger to competition. We have decades of experience in highly competitive businesses. Rogers Cantel, for instance, competes against the wireless subsidiaries of the telephone companies. Radio and television broadcasting are also highly competitive businesses at which we've been very successful, and our publishing companies are leaders in the often crowded Canadian markets. RNS has shown very high rates of revenue growth because it does a better job offering certain innovative telephone services than its competitors. Rogers Video has grown aggressively through market penetration and acquisitions and is now the second largest in its industry. In the increasingly competitive cable television arena, the only request that we have made of the regulator and the government has been for a level playing field: that new entrants operate their business under the same rules and conditions as those under which we operate. For example, we believe that telephone companies must be subject to meaningful competition in their monopoly local telephone business before they are permitted to enter the cable business.

ROGERS IS NO STRANGER TO COMPETITION. WE HAVE DECADES OF EXPERIENCE IN HIGHLY COMPETITIVE BUSINESSES.

It's possible that Canadian regulations may be relaxed in an effort to make Canadian satellite services more competitive with U.S. grey market satellite services. Were this to occur, we would expect that the regulations would also be relaxed for cable providers. This would be very positive for the Canadian cable industry and for Rogers in particular.

When competition arrives, I believe consumers will begin to appreciate the value of the services that Rogers Cablesystems provides, such as professional installation, free customer and technical service, low-cost hardware and no-cost maintenance. So we are ready for competition, wherever and whenever it arrives.

We have the financial flexibility to compete

We are taking the required steps at Rogers to ensure that we're on solid financial footing; our business plans must not be hindered by financial constraints. During 1996, we undertook several steps to ensure this:

- we completed divestitures of non-core businesses valued at over $800 million, including The Toronto Sun Publishing Corporation, Davis + Henderson, Transkrit, our U.S. Business Forms division, and the sale of cable systems serving approximately 300,000 subscribers;
- we issued US$800 million of high-yield debt at Rogers Cantel, of which US$340 million was incremental new debt;
- we established bank financing of $605 million at Rogers Cablesystems and $175 million at Rogers Multi-Media; and
- we arranged CDN$75 million and US$100 million of high yield debt at the holding company level.

As a result of these initiatives, Rogers Cablesystems ended the year with over $300 million of cash on its balance sheet. Subsequent to the end of the year, Rogers Cantel amended its existing bank credit facility to increase the authorized amount to at least $700 million, and extend its maturity.

In all, we have over $1.5 billion dollars in combined credit capacity and cash on hand, which is more than sufficient to continue our rebuild and "platform strengthening" programs. These, as I noted earlier, will create new sources of revenue.

We have also initiated major cost-reduction projects, both at Rogers Cablesystems and Rogers Cantel, that will reduce operating expenses. Perhaps even more important, these initiatives will also help to accelerate the rollout of new revenue-producing products and services.

The combination of an increasing revenue growth rate and a decreasing cost per customer should prove very effective in improving our operating performance. This in turn will help reduce our debt leverage ratios by focusing on the denominator of the ratio of debt to operating earnings, and will add momentum to the rate of growth in shareholder value.

The outlook is bright for Rogers Communications

As I said at the outset, Rogers is committed to technologically advanced networks, strong brands, outstanding service and financial flexibility. But translating commitment into results demands a great team, and here Rogers has a wealth of assets. In addition to our existing pool of skilled employees, we are recruiting exceptional talent to the ranks of senior management – women and men who understand how to compete effectively in new markets and new technologies. They are supported by dedicated staff who share a deepening understanding of what it means to be in a truly customer-driven enterprise.

It is the combined strength and focus of our physical, financial and human assets that makes me so optimistic about the years ahead. As I see it, 1997 will be a very successful year for Rogers Cablesystems as it rolls out network upgrades and new products. Rogers Cantel will see the effects of increased competition in its markets, but we believe this will stimulate growth of the wireless market. Its strategic alliance with AT&T and its powerful distribution channels should be important factors in its success.

Rogers Multi-Media will endeavor to build the sales volume of our home shopping company, The Shopping Channel™, and to develop Yahoo! Canada. We expect to see Rogers Network Services continue to put strong growth on the books, and to see Rogers Video continue to grow both by acquisition and internal growth.

Provided we continue to deliver on our primary commitments, we will achieve our goal to be Canada's first choice for information, communication, and in-home entertainment services.

Ted Rogers

Edward S. Rogers, O.C.

President & Chief Executive Officer

Financial Review

1996

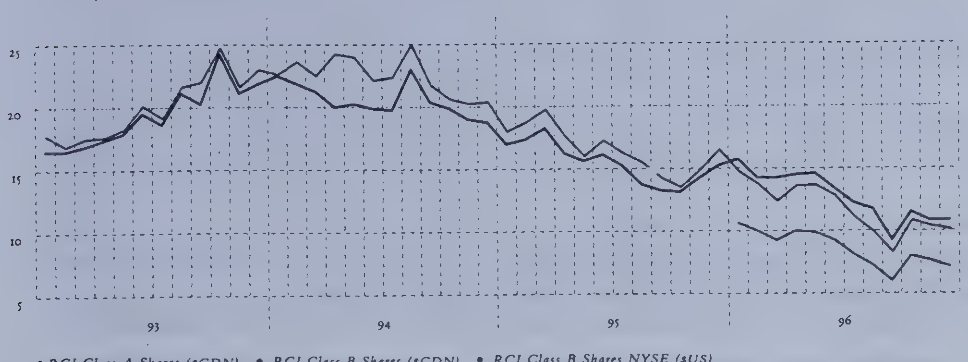
Financial Highlights

Rogers Communications Inc.

Years ended December 31 (In millions of dollars)	1996	1995
Income Statement		
Revenue	$ 2,483.0	$ 2,196.0
Operating income before restructuring charges and depreciation and amortization	704.3	678.3
Loss for the year	(278.4)	(283.4)
Loss for the year before non-recurring items	(143.7)	(146.8)
(In dollars)		
Per Share Data		
Loss for the year	$ (1.72)	$ (1.78)
Loss for the year before non-recurring items	(0.96)	(1.01)
Cash flow from operations[1]	1.45	1.56
(In millions of dollars)		
Changes in Financial Position		
Cash flow from operations[1]	$ 258.7	$ 276.5
Capital expenditures	945.1	579.7
As at December 31 (In millions of dollars)		
Balance Sheet		
Total assets	$ 6,014.3	$ 5,789.0
Fixed assets (net)	2,870.2	2,622.3
Long-term debt	4,922.7	4,360.5
Shareholders' equity	45.4	270.0

[1] Cash flow from operations before changes in working capital amounts.

Monthly Share Prices



Management's Discussion and Analysis

This discussion should be read in conjunction with the detailed Consolidated Financial Statements provided on pages 45 to 75 of this report.

a. Consolidated Overview of 1996 Results

For several years, Rogers has been preparing for increased competition in its businesses by strengthening its strategic position and investing in its networks. In 1996 this continued, but Rogers also began to use some of its advanced capabilities to roll out a series of new products and services that will provide an appropriate return on the investment that we have and will continue to make. At the cable division, these products included expanded and impulse pay-per-view services and a cable-delivered high speed Internet access service called WAVE. Cantel used much of its existing infrastructure and knowledge gained from being a pioneer in digital cellular services to be the first company to launch Digital Personal Communications Services ("PCS") in Canada. It is only due to the continued investment in facilities over the years that these products became a reality in 1996, and will see a broad rollout in 1997.

Financially, Rogers ended 1996 substantially stronger than it started the year. The Company sold certain non-strategic assets and used the proceeds to repay certain components of the Company's debt and to fund the continuing investment in its networks. An additional benefit of these sales is that it allows Rogers to focus its efforts more closely on its core businesses. Much of the financing risk has been removed by securing sufficient bank and public financing in 1996 and early 1997 to fund the cash shortfalls of the businesses. To further ensure our future, a series of cost restraint and revenue enhancing initiatives were launched in 1996. These initiatives are designed to increase the Company's operating efficiency, as measured by operating cash flow margins, and accelerate revenue and operating cash flow growth in 1997 and beyond.

1996 was also a landmark year for Rogers in the area of strategic alliances. The Company believes that Wireless Communications' alliances with AT&T Canada Enterprises Inc. ("AT&T") and RadioShack Canada ("RadioShack") will be enormously powerful. The simultaneous launch of WAVE by each of the members of vision.com, the Canadian cable industry's research and business development organization, clearly indicates the possibilities that exist for Cablesystems when it works together with other Canadian cable companies.

The Company believes that the financial and strategic progress it has made and its use of partnerships and alliances in 1996 will greatly assist Rogers in the pursuit of its goal to be Canada's first choice in information, communications and in-home entertainment services.

Asset Sales

In 1996, Rogers undertook a series of transactions designed to strengthen its competitiveness and allow the Company to focus its efforts more closely on its core businesses.

On June 28, 1996, Rogers completed the sale of CFCN-TV, including CFCN's interest in CTV, to Baton Broadcasting Incorporated. On September 30, 1996, Rogers completed the sale of its 100% interest in Davis + Henderson, a cheque printing business, for approximately $53.5 million. These two assets were acquired as part of Rogers' April 1994 acquisition of Maclean Hunter Limited ("MHL"). As part of the MHL acquisition, Rogers received certain assets which it was either

required to or intended to sell, including Davis + Henderson and CFCN-TV. These assets were accounted for as "Assets Held for Sale" by the Company. Assets Held for Sale were carried at their estimated net realizable value and, as a result, no gain or loss was recorded on the disposal of Assets Held for Sale and no income or loss related to these operations was recorded. As a result of these transactions, there were no Assets Held for Sale at December 31, 1996.

Also on June 28, 1996, Rogers completed the acquisition from Shaw Communications Inc. ("Shaw") of cable systems serving approximately 84,000 subscribers in the Vancouver and Lower Mainland areas of British Columbia for approximately $120.5 million. Concurrently, Rogers sold Shaw its 34% interest in YTV Canada Inc. ("YTV") for approximately $32.3 million and granted Shaw an option, exercised in the fourth quarter of 1996, to acquire Rogers' 29% interest in New Country Network ("NCN"). The proceeds for the sale of CFCN-TV, YTV and NCN approximately matched the price paid for the cable systems acquired from Shaw.

During the year, Rogers completed the sale of two additional assets that it acquired as part of the purchase of MHL. On June 28, 1996, Rogers completed the sale of its 89% interest in Transkrit Corporation ("Transkrit"), its U.S. business forms subsidiary, for net proceeds of approximately $102.7 million. On October 3, 1996, Rogers completed the sale of its 63% interest in The Toronto Sun Publishing Corporation ("TSP") for net proceeds of approximately $258.9 million. As TSP and Transkrit represented identifiable business segments of Rogers' operations, these operations have been accounted for as discontinued operations and their results disclosed separately from those of continuing operations in Note 2 to the Consolidated Financial Statements.

Consolidated Financial Results

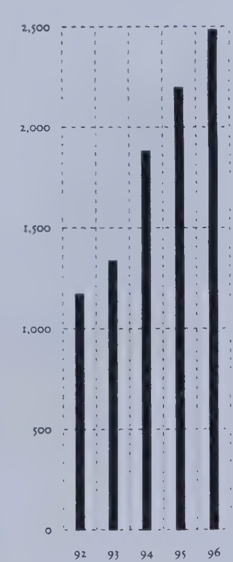
Below are the summary financial results for the years ended 1996 and 1995.

Years ended December 31 (In millions of dollars)	1996	(Restated) 1995	% Change
Revenue			
Cablesystems	$ 992.3	$ 929.4	6.8 %
Wireless Communications	1,102.9	899.5	22.6 %
Multi-Media	387.8	367.1	5.6 %
Total	$ 2,483.0	$ 2,196.0	13.1 %
Operating income(1)			
Cablesystems	$ 336.8	$ 351.8	(4.3)%
Wireless Communications	351.1	315.6	11.2 %
Multi-Media	35.1	33.4	4.9 %
Corporate	(18.7)	(22.5)	(16.8)%
Total	$ 704.3	$ 678.3	3.8 %
Operating income(1) as a % of revenue			
Cablesystems	33.9%	37.9%	
Wireless Communications	31.8%	35.1%	
Multi-Media	9.0%	9.1%	
Total	28.4%	30.9%	
Capital Expenditures	$ 945.1	$ 579.7	63.0 %

(1) Before restructuring charges and depreciation and amortization. Also, before Corporate management fees, which eliminate on consolidation.

Consolidated revenue was $2,483.0 million in 1996, an increase of $287.0 million or 13.1% from $2,196.0 million in 1995. Consolidated operating income before restructuring charges and depreciation and amortization was $704.3 million, an increase of $26.0 million or 3.8% from $678.3 million in 1995.

Total Revenue
($ in millions)



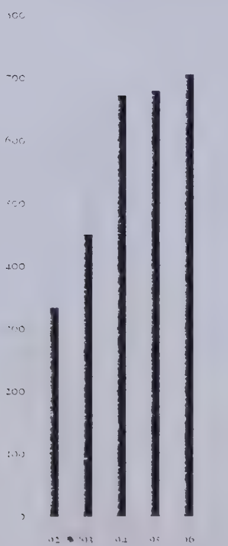
Growth in operating income before restructuring charges and depreciation and amortization at Wireless Communications and Multi-Media in the year was partially offset by declines at Cablesystems.

Consolidated operating income before restructuring charges and depreciation and amortization as a percentage of revenue ("operating margin") decreased to 28.4% in 1996 from 30.9% in 1995. The operating margin decline at Cablesystems was a result of, among other things, increased operating expenses driven by increased call volumes and customer service levels that more than offset revenue increases. The operating margin decline at Wireless Communications was caused by increasing sales and marketing costs per subscriber addition, primarily due to the increase in customers who activated on a plan which included a phone, increased customer service costs in order to improve customer service levels and an increase in credit and collection costs.

Financially, Rogers ended 1996 substantially stronger than it started the year. The Company sold certain non-strategic assets and used the proceeds to repay certain components of the Company's debt and fund the continuing investment in its networks.

Depreciation and amortization in 1996 increased to $454.9 million up 14.9% from $396.0 million in the prior year. This increase is primarily attributable to the continued high capital expenditure levels.

($ in millions)
*before restructuring charges and depreciation and amortization



Restructuring Charges

In the third quarter, Rogers recorded a $67.4 million charge for a major cost restructuring and productivity program at Cable Television. The restructuring was designed to allow Cable Television to exit certain activities and raise operating margins to industry average levels over the next one to two years by controlling costs and simultaneously accelerating revenue growth rates.

Also in the third quarter, Rogers recorded a $20.3 million charge at Wireless Communications for the write-off of first generation Time Division Multiple Access ("TDMA") digital telephones and for exit costs related to the closure of Wireless Communications' Corporate Store operations. The digital telephone charge was taken to account for the expected arrival of enhanced, feature rich TDMA digital telephones in fiscal 1997.

Non-Operating Income and Expense

Interest expense increased to $470.8 million, up 9.9% from $428.6 million in the prior year, as higher average debt balances were partially offset by lower average interest rates on the floating portion of Rogers' debt. The weighted average rate of interest on long-term debt (total interest expense as a percent of weighted average debt outstanding) was approximately 9.6% in 1996 as compared to 10.3% in 1995.

During the year, Rogers incurred charges totalling $96.0 million related to the write-off of deferred foreign exchange losses, deferred financing charges and the premium on the repurchase and redemption of Wireless Communications' US$460 million 10¾% Notes and the redemption of Cablesystems' US$74 million 9.28% Series A Senior Secured Notes and US$81 million 9.6% Series B Senior Secured Notes.

In June 1996, Rogers recorded a $25.0 million gain on the sale of its 34% interest in YTV

In 1996, the Company sold certain cable television systems. Proceeds received on these sales were approximately $368.8 million, and Cable Television recorded a pre-tax gain on the sale of these cable television systems of approximately $36.4 million.

In November, Wireless Communications entered into a brand licensing agreement with AT&T, providing Wireless Communications with, among other things, the exclusive Canadian right to use the AT&T brand name on a co-branded basis for mobile wireless services. As consideration for entering into this agreement, Wireless Communications issued warrants with a value of $32.5 million to AT&T which entitle AT&T to acquire shares of Wireless Communications. As a result, Rogers recorded a gain of $27.6 million on the reduction of its investment in Wireless Communications.

Investment and other income of $14.0 million is comprised primarily of $13.9 million in interest from General Cable T.V. Limited ("General"), a company controlled by the controlling shareholder of Rogers.

Loss

Excluding non-recurring items, Rogers recorded a loss of $143.7 million, or $0.96 per share (after preferred dividends) in 1996. In 1995, excluding non-recurring items, Rogers recorded a loss of $146.8 million, or $1.01 per share (after preferred dividends). Including all non-recurring items in both periods, Rogers recorded a loss of $278.4 million, or $1.72 per share (after preferred dividends) in 1996, compared to $283.4 million, or $1.78 per share (after preferred dividends) in 1995. The 1995 loss includes write-offs totalling $133.0 million, related to the investment in Unitel Communications Inc. and the 10% interest in the air-to-ground business Claircom Communications Group Inc. In 1996, the weighted average Class A and Class B shares outstanding increased to 178.1 million, up from 177.6 million in 1995.

Staffing

As at December 31, 1996, Rogers had approximately 10,500 employees across all its operating groups representing an increase of approximately 600 from December 31, 1995. Cablesystems reduced its employee count at Cable Television primarily due to the sale of cable systems to Cogeco Cable Inc. ("Cogeco"), but significantly increased the number of employees at Video Stores due to store openings and acquisitions during the year. In addition, Cablesystems increased staffing at Local Telecommunications, Home Security and WAVE. Wireless Communications increased the number of employees in customer service and credit and collections, and reduced the number in sales and corporate stores. Multi-Media increased staffing levels primarily at The Shopping Channel ("tSc™"). Total remuneration paid to employees (both full and part-time) in fiscal 1996 was $412 million, up from $353 million in the prior year.

b. Segmented Operations Review

b.1 Cablesystems

For purposes of this discussion, the financial results of Rogers Cablesystems Limited ("Cablesystems") have been divided into two categories: Cable Television and Video Stores. Cable Television includes the results of Basic Cable service, Cable Plus service, pay television, converter rental, pay-per-view, Local Telecommunications, Hotel Pay Television service and Home Security.

Clustering

Cable Television believes that providing innovative services to its customers will enable it to operate more effectively in a competitive environment. Furthermore, it believes that the most cost effective and reliable method of providing its customers with both the highest quality entertainment services and the earliest availability of new services is to cluster and fibre interconnect its cable television systems. Only through clustering and fibre interconnection can Cable Television maximize the economies of scale that occur from the consolidation of functions and locations across cable systems. Throughout 1996, Cable Television undertook a series of transactions that will allow it to focus more intensively on its four key urban markets: Toronto, Vancouver and the Lower Mainland of British Columbia, Ottawa, and the Guelph to London corridor.

On May 31, 1996, Cable Television completed the acquisition of Pioneer Cablevision Ltd. ("Pioneer") for approximately $3.6 million. Pioneer operated a cable system that served approximately 2,800 basic subscribers and is adjacent to Cable Television's existing cable systems in the Greater Vancouver area.

On June 28, 1996, Cable Television completed the acquisition from Shaw of cable systems serving approximately 84,000 subscribers in Vancouver, British Columbia, for approximately $120.5 million. The cable systems acquired by Cable Television were contiguous to Cable Television's existing systems in the Vancouver and Lower Mainland of British Columbia. This transaction increased Cable Television's share of the cable market in British Columbia from 46% to 53%.

On July 31, 1996, Cable Television completed the sale of its cable system in Huntsville, Ontario, which served approximately 3,300 subscribers, for approximately $3.6 million. This system was neither contiguous nor fibre interconnected to any of Cable Television's other systems.

On November 25, 1996, Cable Television completed the sale to Cogeco of certain Ontario area cable systems serving 303,300 cable subscribers, for approximately $365.2 million. The systems sold included Cable Television's Hamilton, Niagara Falls, St. Catharines, Sarnia, Wallaceburg, Peterborough, Ottawa Valley, Cornwall and North Bay systems. With the exception of Cornwall and part of Hamilton, these systems were acquired by Cable Television as part of Rogers' purchase of MHL in 1994. As well as assisting in Cable Television's clustering efforts, this transaction also provided the Company with some additional financial flexibility.

At December 31, 1996, Cable Television had 2,229,600 subscribers, an increase of 13,700 subscribers from December 31, 1995 (excluding acquisitions and dispositions).

The following discussion and table of summary financial information compares Cablesystems' 1996 results to Cablesystems' 1995 results. The 1996 figures include the results of the businesses acquired from Shaw, TVS – The Video Superstore ("TVS"), "One Stop" Video, and other independent video retailers, but exclude the results of operations sold, including those systems sold to Cogeco on November 25, 1996, in all cases from the date of the purchase or sale.

Cablesystems
Years ended December 31
(In millions of dollars)

	1996	1995	% Change
Revenue			
Cable Television	$ 878.5	$ 836.8	5.0 %
Video Stores	116.4	94.6	23.0 %
Interdivisional eliminations[1]	(2.6)	(2.0)	NM
Total	$ 992.3	$ 929.4	6.8 %
Operating income[2]			
Cable Television	$ 322.9	$ 341.0	(5.3)%
Video Stores	13.9	10.8	28.7 %
Total	$ 336.8	$ 351.8	(4.3)%
Operating income[2] as % of revenue			
Cable Television	36.8%	40.8%	(9.8)%
Video Stores	11.9%	11.4%	4.4%
Total	33.9%	37.9%	(10.6)%
Capital Expenditures	$ 378.5	$ 382.8	(1.1)%

(1) Intercompany eliminations represent bill payment and other transactions included in Video Stores revenue and Cable Television operating expense in both years.
(2) Before restructuring charge and depreciation and amortization. Also, before Corporate management fees, which eliminate on consolidation. Video Stores operating income is after video cassette depreciation.

Revenue

Total Cablesystems revenue, which includes Video Stores, reached $992.3 million in 1996, an increase of $62.9 million or 6.8% from $929.4 million in the prior year. Cable Television revenue in 1996 was $878.5 million, up $41.7 million or 5.0% from $836.8 million in 1995. This increase in Cable Television revenue is due primarily to the following:

i. The 1996 figures include 12 months of revenue for the new Canadian specialty services launched January 1, 1995. In 1995, Cable Television received only 10 months of revenue for the new Canadian specialty services due to a two month free preview period.

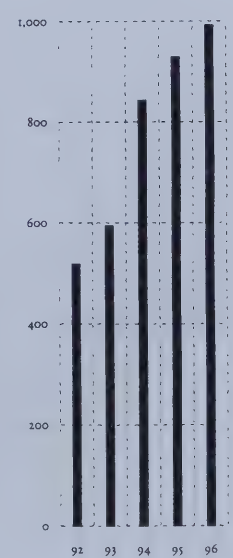
ii. The 1996 figures include the full year effect of a Basic Cable service and Cable Plus rate increase implemented on March 1, 1995. The Basic Cable service rate increase averaged 4.4%, while the Cable Plus increase was due to the introduction of the new Canadian specialty channels. Cable Television introduced the Cable Plus Combo tier package in January 1995, which included the Original tier plus the new Canadian specialty channels for $8.10 per month, an increase of $2.65 from the $5.45 per month charged for the Cable Plus Original tier. Cable Television also introduced a Cable Plus Select tier containing only the new specialty services for $5.45 per month.

iii. The full year effect of a program, begun in the second half of 1995, designed to upsell Basic Cable service subscribers to Cable Plus, as well as Cable Plus Select, or the Cable Plus Original tier package subscribers to the $8.10 Cable Plus Combo tier package. At December 31, 1996, this program had increased the Cable Plus and Cable Plus Combo penetration rate to 88.1% and 58.8%, of Basic Cable service subscribers respectively, compared to 87.9% and 55.6% at December 31, 1995. This increase in Cable Plus Combo tier penetration increased the average monthly Cable Plus tier revenue per Cable Plus subscriber to $6.98 in 1996, up $0.63 or 9.9% from $6.35 in 1995.

iv. Excluding cable system acquisitions and dispositions, Cable Television's average number of Basic Cable service subscribers was 25,000 higher in 1996 than in 1995, due primarily to subscriber declines in early 1995.

v. Pay television revenue declined slightly as moderate subscriber increases were more than offset by the full year effect of the practice begun in November 1995 of not charging for additional pay

Cablesystems Revenue
($ in millions)



television outlets or descramblers, a shift in subscriber mix to lower priced Pay Television packages, and the launch of pay television packages designed to lower churn by offering a discount in exchange for a term commitment.

vi. Pay-per-view revenue increased primarily due to the launch of expanded pay-per-view in late 1995 which increased the number of pay-per-view channels from four to a maximum of 20 in areas where it was launched. During 1996, Cable Television introduced impulse pay-per-view under the brand name "RapidLink™" to a small number of subscribers in certain systems. This service allows subscribers to use their remote control to order pay-per-view movies and events. Initial indications from those subscribers with the service are encouraging and were partially responsible for the increase in monthly pay-per-view movie buy rates to 51.7% in 1996 from 38.5% in 1995. Cable Television expects that pay-per-view buy rates will continue to increase as its expanded and impulse pay-per-view services become available to more subscribers in 1997.

Substantially all of the remaining revenue increase was due to increases at Local Telecommunications, which reported revenue of $39.0 million in 1996, an increase of $15.3 million or 64.3% from $23.7 million in 1995. This increase is due to the continued expansion of operations in its principal operating areas of Toronto, Ottawa and Vancouver. Local Telecommunications provides local facilities based data and unswitched voice carriage. Its customers include all of the major alternative long distance service providers, key commercial customers such as banks, insurance companies and other large corporations, municipal and federal Governments, certain broadcasters, and most recently, one of the new PCS providers. In 1996, Local Telecommunications extended its network by adding 240 new buildings in which the division had a point of presence, representing a 51.3% increase over 1995. Cable Television believes that Local Telecommunications is well positioned to continue experiencing significant revenue growth.

These revenue increases were partially offset by certain declining revenue items:

i. In late November 1995, Cable Television launched its "Total Home" program, which allows subscribers to have multiple extra outlets for the price of one extra outlet. Cable Television believes that the Total Home program will be an effective defence against Direct Broadcast Satellite ("DBS") services and other potential competitors that require a high cost digital converter box for every outlet. As a result of this program, all subscribers with more than one extra outlet saw their monthly bills decrease. In an effort to offset the revenue losses from this program, Cable Television used telemarketing and other techniques in 1996 to increase its base of both revenue generating and free extra outlets. These techniques were not sufficiently successful to completely offset the one time reduction in extra outlet revenue that occurred when Cable Television adopted this strategy. Cable Television believes the initial pricing and packaging of this program formed a barrier to acquiring new extra outlet subscribers and the program was modified and relaunched with lower pricing during 1996. Cable Television will continue to market this program with the objective of adding a sufficient number of new revenue generating extra outlet subscribers to offset the initial reduction in revenue incurred when the program was initiated.

ii. As part of the Total Home program, Cable Television allowed those subscribers who rent one converter box to rent additional boxes for their extra outlets at a reduced rate, effectively repricing its converter rental rates. Although this program increased the average number of rental converters in the year, it was more than offset by the decrease in the average rate charged for converter boxes.

iii. Cable Television undertook two significant cable system transactions in 1996 which affect the year-over-year comparison. Effective June 28, 1996, Cable Television began to receive revenue contribution from the cable systems acquired from Shaw; while on November 25, 1996, Cable Television lost the revenue contribution from the cable systems sold to Cogeco. The net effect of these two transactions was a revenue decline of approximately $5.0 million in 1996.

These efforts increased the average monthly cable revenue per subscriber by 1.8% to $28.28 in 1996 from $27.78 in 1995. These figures exclude revenue from Hotel Pay Television, Local Telecommunications and Home Security services. On March 1, 1997, Cable Television will end its two year voluntary moratorium on rate increases and put in place a rate increase that will add approximately $0.73 per month to the price of Basic Cable service, $0.85 per month to the Cable Plus Combo tier, and $0.80 per month to the Cable Plus Original and Select tiers.

Operating Costs

During 1996, total Cablesystems expenses (including cost of sales) increased by $59.3 million or 13.5% over 1995. The rise in cost of sales primarily reflects the payment of supplier fees for the new specialty services for an additional month in 1996 in connection with the free preview period in 1995, as well as price increases associated with contractual obligations with certain programming suppliers. The increase also reflects increased pay-per-view cost of sales as a result of increased buy rates, the increased number of average subscribers in the period, due to both internal growth and cable system acquisitions, net of divestitures, and growth in Local Telecommunications. The rise in operating expenses primarily reflects:

i. Higher customer care costs due to increased call volumes, call handling time and the opening of a new call centre in Vancouver in mid 1995. Management believes that Cable Television must continue to offer a high level of customer service as the industry becomes increasingly competitive.

ii. An increase in technical service costs due to the costs associated with the installation and removal of tier channel filters and certain other costs associated with network rebuild activities.

iii. Increased sales expenses for telemarketing programs such as Basic Cable service subscriber acquisition and upselling, and increases in marketing costs for programs such as channel realignments, welcome kits, rate increase notices and the promotion of the new pay-per-view services.

iv. In the second quarter of 1995, Cable Television changed its billing practice by requesting payment after commencement of service rather than in advance. This initiative had the effect of increasing the level of bad debts.

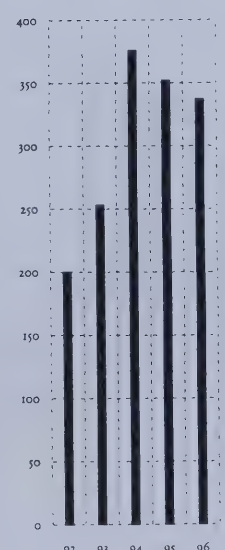
v. Increased infrastructure costs to support growth at Local Telecommunications.

Operating Income – Cable Television

Total operating income, including Video Stores, before restructuring charges and depreciation and amortization decreased to $336.8 million in 1996, down $15.0 million or 4.3% from $351.8 million in the prior year. Cable Television operating income before restructuring charge and depreciation and amortization was $322.9 million in 1996, a decline of $18.1 million or 5.3% from $341.0 million in 1995, as the increase in revenue was more than offset by the increase in operating costs. This resulted in an operating margin of 36.8% in 1996 compared to 40.8% in 1995.

Management believes that being the largest and most clustered cable company in Canada should allow for economies of scale. Cable Television believes it has not taken full advantage of those economies of scale. To address this issue, Cable Television has initiated a major cost reduction and productivity program. A key objective of the program is to reduce operating costs and raise operating

Cablesystems Operating Income*
($ in millions)
**before restructuring charge and depreciation and amortization*



margins to reach industry average levels over the next one to two years. As part of the program. Cable Television will reduce and redirect capital expenditures in order to permit the earliest possible rollout of new revenue producing products.

All aspects of Cable Television's business operations and processes are being reviewed. Major reductions will come from streamlining management layers, consolidating certain local and regional activities (local programming studios, service dispatch, work order control, business offices), restructuring the engineering design and construction contracting processes, improving billing and collection practices and reducing external supply and material costs through focused vendor management. Management expects that these initiatives, while reducing expense levels, will allow for both increased efficiency and improved customer service.

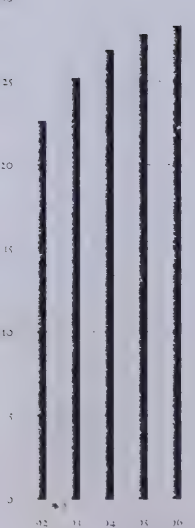
Cable Television has initiated a major cost reduction and productivity program. A key objective of the program is to reduce operating costs and raise operating margins to reach industry average levels over the next one to two years.

Video Stores

Video Stores was very aggressive in strengthening its presence in 1996. During the year, Video Stores added or opened a total of 37 stores, 16 of which were acquired. The two largest acquisitions were the purchase of the eight store TVS chain and the four store "One Stop" Video chain. An additional four stores were acquired from independent retailers. As with prior years, expansion emphasis continues to be placed on locations within Cable Television's licenced service areas. Video Stores closed four stores during 1996, ending the year with a total of 173 stores, an increase of 33 stores from December 31, 1995.

Video Stores' revenue in 1996 was $116.4 million, an increase of $21.8 million or 23.0%, from $94.6 million in the prior year. Total rental revenue from the same stores (those open for the full year in both years) increased by 4.0% in 1996 due primarily to the higher number of video cassette titles now in the stores and the introduction of competitive new pricing packages. Video Stores' operating income margin increased to 11.9% in 1996, from 11.4% in 1995.

As a result of strong revenue growth and increasing operating margins (despite an increase in videocassette depreciation expense in 1996 due to higher video cassette inventory levels), Video Stores' operating income before depreciation and amortization increased to $13.9 million in 1996, an increase of $3.1 million or 28.7% from $10.8 million in 1995.



Capital Expenditures – Cablesystems

Capital expenditures in 1996 were $378.5 million, excluding $35.0 million of video cassette purchases. Of the total 1996 capital expenditures of $378.5 million, approximately 55% was for network capital projects such as rebuild and new area build; 20% was for general network projects such as analog subscriber equipment, information technology and installation and service; and approximately 20% for Local Telecommunications. The remaining amounts were for Video Stores, WAVE and Home Security.

Capital expenditures are expected to approach $450 million in 1997 excluding video cassette purchases. Approximately half of the 1997 expenditures are expected to relate to network capital projects. Two key objectives of the rebuild are to improve the quality and reliability of the plant by extending fibre-optics to clusters of 5,000 to 10,000 homes (depending on the products to be supported) as well as to extend two-way signal transmission capability for products such as impulse pay-per-view and WAVE. Approximately 30% of the 1997 capital expenditures are expected to relate

to general network projects such as signal digitization, subscriber equipment and information technology. Cable Television believes its digital cable offering will be its most effective defence against new competition, as well as an opportunity for increased revenue. Approximately 10% is for Local Telecommunications and the remainder is for WAVE and other projects. Management believes that Cablesystems will have prepared up to 1.2 million basic subscriber homes, or 54% of its total subscriber base, for WAVE service by December 31, 1997.

Cablesystems currently expects that capital expenditures will be somewhat lower in 1998 than in 1997, but will continue to be significant and for similar purposes. The total cost of the rebuild component of the network capital is expected to be approximately $340 million from 1997 to 1999.

Risks and Uncertainties – Cablesystems

Recent regulatory and public policy trends favour the emergence of a more competitive environment for cable television service providers in Canada. Consequently, Cable Television faces competition or potential competition from a variety of alternative distribution services, including DBS, Satellite Master Antennae System ("SMATV") and Multi-Channel, Multi-Point Distribution Systems ("MMDS"), Local Multi-Point Communications Systems ("LMCS"), as well as telephone companies ("the Telcos"). Through the use of digital technology, certain of these services are, or will be able to offer a broader array of video programming, including expanded pay-per-view services, than that historically offered by Cable Television. In addition, DBS and other digital service offerings are able to deliver a signal of comparable quality to that of a cable system employing extensive use of fibre-optic technology.

Cable Television believes it can compete effectively with either terrestrial or satellite based service providers, provided the terms and conditions of competition are consistent for all participants, which appears to be the intent of Canadian Government policy makers and the Canadian Radio-television and Telecommunications Commission ("CRTC"). As a condition of licence, all cable companies, including Cable Television, must follow a series of regulations that include, among other things, the requirement to carry certain Canadian stations, to maintain a certain mix of Canadian and U.S. or other stations and to simultaneously substitute a Canadian broadcaster's signal for an American broadcaster's signal if the two broadcasters are showing the same program. To date, the CRTC has not issued a licence to any new entrant that was unwilling to operate their business under these terms. This does not mean that the CRTC will not do so at some point in the future.

Assuming that new entrants are required to operate under essentially the same rules and conditions as the cable industry, Cable Television believes it will continue to provide the least expensive programming services for the vast majority of its subscribers. Cable Television further believes that through increasing channel capacity in its systems and implementing Digital Video Compression ("DVC") technology, it will be able to offer comparable programming choices at a competitive price for those customers who choose to receive such service. Cable Television believes it is likely that a Canadian DBS service provider will begin service in 1997. The Company currently expects that it will have its DVC product available on a limited basis in 1997 with a broader rollout in 1998. This service will give Cable Television the ability to offer a comparable number of pay-per-view channels. Due to the complexity of the product, the Company believes that the product must be thoroughly tested prior to launch and the potential exists for the launch of the product to be delayed until 1998. Should the availability of its digital cable product be delayed and new competitors using digital technology emerge, there could be a period of time when Cable Television would be more vulnerable to subscriber loss as it would be unable to match the offering of the new service providers.

Cable Television already competes with SMATV for multi-residential ("bulk") and commercial subscribers. Cable Television has implemented marketing and sales programs to attract and retain bulk and commercial subscribers and has targeted the cable plant rebuild program such that it is completed first in those areas where the Company feels it is most vulnerable to competition. Cable Television also seeks long-term contracts with these subscribers to minimize and control subscriber turnover.

One particular group of potential new entrants are the Telcos. Both the CRTC and the Information Highway Advisory Council ("IHAC") have recommended to the Government of Canada that the Telcos should not be allowed to receive cable television licences until such time as the rules have been established to remove regulatory barriers to effective competition in the local telephone business. The Government's convergence policy has adopted this recommendation.

Cable Television believes it can compete effectively with either terrestrial or satellite based service providers, provided the terms and conditions of competition are consistent for all participants, which appears to be the intent of Canadian Government policy makers and regulators.

The largest issues to be resolved in providing local telephone competition include interconnection, unbundling, number portability, co-location, contribution and rate restructuring. Interconnection refers to the technical and financial terms for connecting telco and new entrant networks. Unbundling allows new entrants to acquire telco facilities *à la carte* at tariffed rates. Number portability is required for local telephone competition so that customers can maintain their existing telephone numbers when they change service providers. Co-location allows competitors to locate their facilities at the telephone company's central office. Rate restructuring refers to the process of lowering local rates in large cities and raising them in smaller centres so as to more closely match the revenue and cost of providing the respective services. In the fall of 1996, there was a series of public hearings on these issues and decisions are expected during 1997.

On March 1, 1997, Cable Television will end its two year voluntary moratorium on rate increases and put in place a rate increase that will add approximately $0.73 per month to the price of Cable Television's Basic Cable service, $0.85 per month to Cable Plus Combo, and $0.80 per month to Cable Plus Original and Select. Given increasing competition, it is possible that this increase and any further rate increases could be difficult to implement, which would limit the Company's revenue growth opportunities for its existing services.

Under proposed new CRTC regulations that would take effect on January 1, 1998, Cable Television may no longer be able to charge for extra outlets. This could have the effect of reducing revenue by approximately $40 million in each of 1998 and 1999. Although it is expected that the CRTC will allow a Basic Cable service rate increase to offset this revenue shortfall, it is possible that the CRTC will determine to do otherwise.

In 1997 and for the next several years, Cable Television intends to deploy capital to support a series of new business opportunities which are yet unproven. These businesses include expanded and impulse pay-per-view, WAVE and Digital Cable. However, substantial components of the capital required to support these businesses is demand driven. As a result, if these products are not as successful as Cable Television believes they will be, it will not deploy the variable component of the capital.

During 1996, Local Telecommunications saw lower pricing from the Telcos, its principal competitors, as well as the entry of two potential new competitors into its markets: MetroNet Corporation ("MetroNet"), a division of CAPIX Communications Inc. of Calgary, Alberta, and U.S. based MFS Communications Company, Inc. ("MFS"), a wholly owned subsidiary of MFS Worldcom, Inc. MetroNet has been engaged in essentially the same businesses as Local Telecommunications in its home market of Calgary, Alberta, but has recently begun expanding its scope of operation to include Toronto, Ontario, and Vancouver, British Columbia, both of which are key markets for Local Telecommunications. MFS has also indicated that it has an interest in entering the Canadian market, beginning in Toronto, Ontario. The potential of increased competition could impact Local Telecommunications' growth rates. In the case of MFS, as it is prevented as a non-Canadian corporation from full ownership of facilities at this time, MFS will initially resell existing facilities, potentially from Local Telecommunications.

b.2 Wireless Communications

For purposes of this discussion, financial figures have been segmented into "Cellular Services" and "Other." The results of Cellular Services include revenue and operating expenses associated with the cellular business. Cellular Services revenue includes airtime usage, monthly basic service fees, long distance charges, optional service charges, system access fees and roaming charges. "Other" operating income before depreciation and amortization includes Paging Services, Wireless Data Services and Equipment Sales. Equipment Sales includes the sale of hardware, both to independent dealers and agents and to customers via direct channels. Monthly measures per subscriber for 1996 have been calculated on a 13-point basis. For comparative purposes, the monthly per subscriber measures for 1995 have been restated from a 2-point basis (as presented in the 1995 annual report) to a 13-point basis.

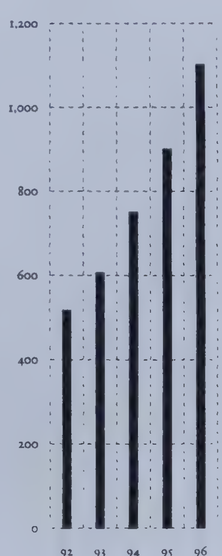
Wireless Communications
Years ended December 31

(In millions of dollars)	1996	1995	% Change
Revenue			
Cellular Services	**$ 935.9**	$ 758.0	23.5 %
Equipment Sales	**113.7**	89.4	27.1 %
Paging and Data Services	**53.6**	52.4	2.1 %
Interdivisional Eliminations	**(0.3)**	(0.3)	NM
Total	**$ 1,102.9**	$ 899.5	22.6 %
Operating income[1]			
Cellular Services	**$ 347.9**	$ 308.9	12.6 %
Other	**3.2**	6.7	(52.2)%
Total	**$ 351.1**	$ 315.6	11.2 %
Operating income[1] as a % of revenue			
Cellular Services	**37.2%**	40.8%	
Other	**1.9%**	4.7%	
Total	**31.8%**	35.1%	
Capital Expenditures	**$ 553.8**	$ 185.6	198.5 %

[1] Before non-recurring charges and depreciation and amortization. Also, before Corporate management fees, which eliminate on consolidation.

Total Wireless Communications revenue increased $203.4 million or 22.6% to reach $1.1 billion in 1996 compared to $899.5 million in 1995. Operating income before non-recurring charges and depreciation and amortization was $351.1 million in 1996, an increase of $35.5 million or 11.2% from $315.6 million in 1995.

Wireless Revenue
($ in millions)



The slower growth in year-over-year operating income before non-recurring charges and depreciation and amortization as compared to revenue is attributable to two key factors:

a. Cellular customer additions, net of disconnects, were 320,200 in 1996, an increase of 64,700 or 25% over 1995. The growth in customer additions drove an increase in sales and marketing expenses. The year-over-year growth in operating income before non-recurring charges and depreciation and amortization would have been 21% had customer net additions been at the same level as 1995.

b. In prior years, the year-over-year decline in revenue per subscriber (1996 – 9.6%) was more than offset by reductions in expenses per subscriber. In 1996, this was not the case as operating expenses per subscriber per month before acquisition costs decreased by approximately 4.5% year-over-year, however, the cost of acquisition per gross addition increased 11.2% year-over-year.

i. Wireless Communications invested heavily in 1996 in its customer service capabilities as part of the strategy to dramatically improve customer satisfaction and loyalty.

ii. As a result of changes to credit policies and collection timelines in the fourth quarter of 1995 and the first quarter of 1996, Wireless Communications experienced an increase in bad debt expense and the cost to collect.

iii. Selling costs per gross addition increased from $474 in 1995 to $527 in 1996, an 11.2% year-over-year increase driven by increased hardware subsidies and low productivity in certain channels of distribution.

Management has implemented plans to address each of these cost issues, as discussed below.

Cellular Services revenue in 1996 totalled $935.9 million, up $177.9 million or 23.5% from the prior year's total of $758.0 million. This increase was due to the growth in cellular subscribers year-over-year, including the continued growth of the consumer and safety segment which generates lower revenue per subscriber.

Distribution Strategy

In the second quarter, Wireless Communications and RadioShack entered into a key strategic agreement, whereby Wireless Communications committed to build approximately 100 retail stores in major shopping centres in Canada. RadioShack agreed to manage the majority of these stores, with the remainder being run by Wireless Communications' independent dealers. These mall stores, primarily completed in late 1996, feature Wireless Communications' products and services, along with RadioShack's products and accessories. In addition, RadioShack agreed to feature and sell Wireless Communications' products and services exclusively in its 450 corporate stores, through the development of "Cantel Express" sections (i.e. store within a store concept). This was a significant victory for Wireless Communications in securing the largest single retailer of cellular service in Canada on a long-term exclusive basis.

At December 31, 1996, Wireless Communications had opened 72 of the mall stores and completed "Cantel Express" sections in all of the corporate RadioShack locations. Wireless Communications anticipates that consumer activations through this new retail store channel will be at a considerably lower cost than in other channels. As many of the mall stores were opened late in 1996, Wireless Communications did not realize the full benefit in 1996.

Coinciding with the rollout of the mall stores was the decision to either close or transfer to affiliate dealers all of Wireless Communications' owned store locations. In 1985, Wireless Communications pioneered the "service centre" concept store, designed to service primarily small and medium sized businesses and provide in-car phone installations. With the bulk of new growth coming from the consumer segment and the predominance of portable phones sales, Wireless Communications recognized the need to increase its focus on retail distribution. The location of the

owned stores in industrial areas and business parks, and the configuration of the stores toward an in-car installation format resulted in a very high cost of acquisition. The closing or transfer of these stores will substantially reduce selling expenses in 1997. The RadioShack agreement provides to Wireless Communications a partner with strong retail experience: delivering high quality customer service at relatively low cost.

Strategic Alliances

In the fourth quarter, Wireless Communications and AT&T announced a long-term strategic alliance that includes the licensing of the AT&T brand to Wireless Communications for use in connection with the marketing of its mobile wireless service, and a technology and marketing agreement with AT&T Wireless Services, Inc. ("AWS"). Wireless Communications is now marketing its wireless services under the Cantel® AT&T™ co-brand name. This agreement will allow for seamless availability of the wireless services offered by Wireless Communications and AWS, including Digital PCS, throughout North America. The development of new services and products is one area where considerable cost advantages can be delivered with economies of scale. The technology sharing agreement with AWS will greatly facilitate this objective.

Revenue and Usage

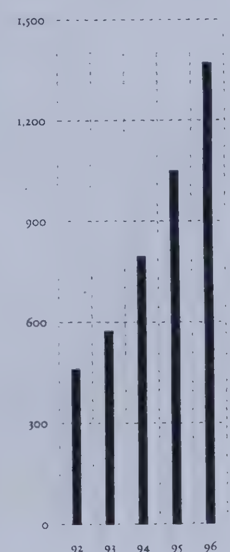
Although total cellular revenue increased during the year, the trend towards lower monthly revenue per subscriber continued, with a 9.6% decline from $73 in 1995 to $66 in 1996. This revenue per subscriber per month decline was expected and primarily reflects the growth and size of the consumer segment within the customer base.

Average monthly airtime usage per subscriber increased to 208 minutes in 1996 from 168 minutes in 1995. This 23.8% year-over-year increase in usage reflects the promotion of price packages which bundle evening and/or weekend usage at a fixed monthly service fee or nominal per minute rates. Prior to 1996, the objective of offering evening and weekend airtime at attractive rates was to promote personal cellular usage, which in turn stimulated the consumer segment of the market. At that time, there was considerable network excess capacity available. With the growth in the consumer market, peak usage on the network shifted from traditional day time business hours to the early evening hours. In November 1996, Wireless Communications introduced the "Amigo Action™" plan which includes 100 weeknight minutes, down from the ceiling of 600 minutes introduced in April 1996, and the "unlimited" minutes offered since the inception of Amigo in April 1994. Wireless Communications believes this will allow the network demands from consumer subscribers and the related cost of network capacity for consumer subscribers to remain within the boundaries required for both profitable and rapid growth of the consumer segment. The 100 minute ceiling did not slow sales in 1996 fourth quarter as over 70,000 subscribers signed up for this plan.

Customer Retention

A key area of focus for Wireless Communications in 1996 was to reduce the percentage of its subscriber base that disconnect or "churn." Churn averaged 1.69% in 1996, compared to the 2.12% average monthly churn experienced through 1995. Wireless Communications completed an initiative involving the telemarketing of month-to-month Amigo subscribers to convert their price plans to term contracts ranging from 18 to 36 months. By the end of 1996, substantially all of the Amigo customer base had entered into term contracts of at least one year. All new Amigo activations in 1996 required a term contract of at least one year.

Cellular Subscribers
(thousands)



In 1996, contract renewal procedures were strengthened. All customers due for contract renewal were contacted through direct mail several months prior to the expiration of their contracts. Outbound telemarketing campaigns were then initiated to renew existing business customers and to "win back" subscribers who had recently deactivated. In 1996, over 335,000 renewals were completed as a result of telemarketing campaigns, with approximately 196,000 of these being completed in the final four months of 1996.

Wireless Communications added 320,200 new cellular subscribers in 1996, net of disconnects, ending the year with 1,369,600 subscribers, a 30.5% increase from 1,049,400 at December 31, 1995. Wireless Communications was particularly successful in increasing activations in the consumer segment through mass media advertising and wide distribution.

In the fourth quarter, Wireless Communications opened a new incoming call centre in Calgary, Alberta, designed to meet our customers' regional requirements in Alberta, Saskatchewan, and Manitoba. Additional in-bound call centres are planned for Ottawa and Kitchener, Ontario, in order to handle the large customer base in Ontario and maintain the responsiveness of our customer service. The Toronto, Ontario, outbound call centre was fully operational in 1996 and is used for outbound customer contact programs aimed at retention, renewal, and value added campaigns.

With a customer base which now exceeds 1.6 million wireless subscribers, management recognizes the need to balance the traditional industry focus on acquiring new customers with a greater emphasis on existing customers, their satisfaction and loyalty. Small improvements in key operating measures such as churn, revenue per subscriber or operating cost per subscriber can yield significant increases in profitability. In 1997, Wireless Communications will alter the balance of resources between acquisition and retention with the aim of dramatically improving customer satisfaction. This process will be assisted by:

i) ongoing customer satisfaction surveys,
ii) linking internal compensation with customer satisfaction, and
iii) information systems that will support our efforts to tailor and promote new and existing services to meet customer needs.

Subscriber Acquisition

Wireless Communications added 320,200 new cellular subscribers in 1996, net of disconnects, ending the year with 1,369,600 subscribers, a 30.5% increase from 1,049,400 at December 31, 1995. Wireless Communications was particularly successful in increasing activations in the consumer segment through mass media advertising and wide distribution. Wireless Communications estimates that during 1996, its cellular penetration of the population served in Canada increased by approximately 1.16 percentage points to reach 5.16% at year-end. Wireless Communications estimates that it has also increased its cellular service coverage of the Canadian population to approximately 92% at December 31, 1996 from approximately 90% at December 31, 1995.

In 1996, Wireless Communications began to offer a number of bundled products and services which will be further expanded in 1997. A new billing system capability was developed that allows the bundling of more than one customer on a single invoice. Wireless Communications' "2-in-1" offer, which was relaunched in the fourth quarter, is an example of this. The plan allows for a family member to activate on a current customer's plan at a low monthly rate. Both the existing customer

and the new customer are required to commit to new three year term plans. This has proven to be very successful, both in the acquisition of new customers and as an effective method of reducing churn. In addition, the bundling of cellular and paging services under the same plan was expanded and will be continued in 1997 with other bundles from adjacent value chains.

On November 8, 1996, Wireless Communications became the first company in Canada to launch Digital PCS. The services launched included Text and Numeric Messaging, Caller ID, and Visual Call Waiting. Added benefits include longer battery life, greater call security and exact second billing. The launch in Montreal was followed six weeks later by "Montreal and More," a zone based pricing plan which features discounted rates within a small geographical zone and differential rates for broader coverage.

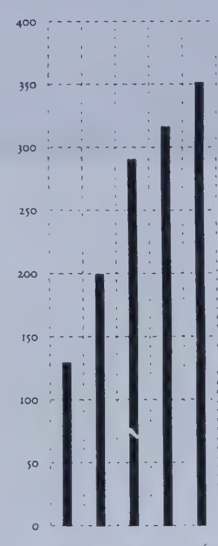
Paging

Paging Services revenue increased to $53.0 million, up $0.6 million or 1.1% in 1996, from $52.4 million in 1995. Subscriber growth of 41,000 or 20.3%, brought the total number of paging subscribers to 242,800 at December 31, 1996, from 201,800 at December 31, 1995. Although subscriber growth was strong, the modest revenue growth is partially attributed to declining paging service prices. In addition, there is a significant trend away from the use of rental pagers to the sale of pagers to customers. The rental business model involved a higher monthly service fee to compensate for the use of the pager. Average monthly revenue per paging subscriber declined to $18, down $3 or 14.3% in 1996, from $21 in 1995. Through a number of churn management programs, such as customer telemarketing and major account renewals, paging average monthly churn was reduced to 2.98% in 1996 from 3.48% in 1995.

Other Revenue

Revenue from Equipment Sales reached $113.7 million, up $24.3 million or 27.1% from $89.4 million in the prior year. The increase is due primarily to an increase in the volume of hardware sales, particularly in the fourth quarter. The increase was partially offset by substantial reductions in hardware prices as a result of increased competition among hardware manufacturers. The average cost of portable analog handsets declined more than 20% through 1996.

Wireless Communications Operating Income*
($ in millions)
**before non-recurring charges and depreciation and amortization*



Operating Costs

Cellular operating expenses (including cost of sales) of $588.1 million increased by $139.1 million or 31.0% over the prior year's expenses of $449.0 million. This increase was driven by higher sales and marketing costs per gross subscriber addition of $527 in 1996, 11.2% over the 1995 levels of $474.

The increase in sales and marketing expenses per gross subscriber addition was due primarily to the increase in customers who activated on a plan which included a phone. The 1996 sales and marketing costs include the amortization of deferred subscriber telephone costs of $63.7 million in 1996, compared to $13.6 million in 1995. A number of changes made in 1996 will enable Wireless Communications to reduce sales and marketing costs per gross subscriber in 1997. First, the closure of our corporate stores and the significant reduction in the size of our direct sales force essentially eliminated two of Wireless Communications' higher cost sales channels. The sales responsibilities for these channels were transferred to its dealer channel and the mall stores. In addition, Wireless Communications had some success in 1996 using direct response distribution channels such as infomercials. This is one of Wireless Communications' lowest cost channels and will be further developed in 1997.

Cellular monthly operating expenses per average subscriber, excluding sales and marketing costs, decreased $1 to $21 per month in 1996, compared to $22 per month in 1995. The moderate

decline was impacted by increases in customer service costs in order to improve service levels, and an increase in credit and collection costs. Management believes the investments in quality of service will yield improvements to both customer satisfaction as well as to operating costs, while more stringent credit policies and collection timelines should bring non-payment churn and bad debt expense back to the lower levels experienced before 1996.

Operating Income

Operating income before non-recurring charges and depreciation and amortization from Cellular Services was $347.9 million in 1996, an increase of $39.0 million or 12.6% from $308.9 million in the prior year. Cellular Services operating margin declined to 37.2% from 40.8% in the prior year. The reduction in operating margin is due primarily to:

i) the decline in operating revenue per subscriber as lower revenue consumer subscribers are added to the base,
ii) an increase in sales and marketing costs both in aggregate due to significant subscriber growth and on a per activations basis because of an increase in new subscribers who activated on plans which included phones, and
iii) a slower decline in operating expenses per subscriber due to an increased emphasis on customer service and credit and collection procedures.

The operating income before depreciation and amortization from Other operations of $3.2 million in 1996 decreased $3.5 million from $6.7 million in 1995. This decline was due to reduced profitability in Paging Services primarily from competitive pricing pressure as well as increased losses in equipment sales.

Capital Expenditures – Wireless Communications

Capital expenditures in 1996 were $553.8 million, up $368.2 million or 198.5% from $185.6 million in 1995. Of this total, 74.5% was for implementation of increased network capacity, new coverage, and increased signal strength in existing coverage areas. The remaining 25.5% was for general capital expenditures including information technology, call centres, and mall stores. The 1996 capital

Wireless Communications became the first company in Canada to launch Digital PCS. The services launched included Text and Numeric Messaging, Caller ID, and Visual Call Waiting. Added benefits include longer battery life, greater call security and exact second billing.

expenditure figure includes $57.8 million spent on the purchase, development and relocation to the new offices at One Mount Pleasant Road, Toronto, Ontario. In addition, a new incoming call centre was opened in Calgary, Alberta and 72 mall stores were built.

The 1996 increase in capital expenditures over 1995 was primarily in the area of network, as Wireless Communications is increasing coverage and capacity of both the analog and digital services. Much of the increased coverage was in markets outside of Ontario and Quebec. In these markets, Wireless Communications has for many years had less coverage and lower market share than its competitors. Wireless Communications believes that by increasing coverage in those areas, it will increase its share of subscribers and revenue. At December 31, 1996, Wireless Communications estimates its coverage was approximately 92% of the Canadian population.

Wireless Communications expects that capital spending in 1997 will be similar to the 1996 level of $553.8 million. This spending is required to increase both digital and analog capacity in existing areas, to increase coverage through expansion to areas that were previously not served, to increase the quality of the existing coverage of both the analog and digital networks by "infilling" coverage, for enhanced digital services, for upgrades to billing and other systems, for upgrades to the paging and wireless data networks and for other corporate purposes.

Wireless Communications expects that over 50% of the capital spending in 1997 will be for network capacity expansion. Within this 50% for network capacity expansion in 1997, there will be a "step function" increase in capital spending resulting from the construction of over 250 new sites, primarily to provide additional capacity in the major urban centres. This new site construction represents approximately 65% of the network capacity component. With these sites, Wireless Communications will have available capacity to meet subscriber growth and achieve 98% accessibility on the network during the average busy period. In addition, Wireless Communications will have buffer capacity as a contingency for greater than planned subscriber growth and/or higher network usage. The new sites will have a secondary benefit of improving both analog and digital call quality.

By year-end 1997, Wireless Communications is targeting to increase its digital cellular coverage from its current level of approximately 73% of the Canadian population to approximately 80%, matching analog cellular coverage of approximately 93% by year-end 1999. Wireless Communications believes digital coverage will become increasingly important because it will offer significant additional value through enhanced features.

Wireless Communications will invest significant amounts in digital cellular to meet competition from the new PCS competitors. The fundamental premise of the new PCS competitors will be to differentiate themselves from analog cellular services by offering a feature-rich digital service. There will be no difference in functionality between the services which the PCS carriers propose to offer and those which Wireless Communications can offer on its existing digital network. Wireless Communications' principal advantage will be that it will offer a feature rich digital service across the country and into the U.S., whereas the new PCS carriers will likely be able to offer only limited geographic coverage of digital service.

Operating Risks and Uncertainties – Wireless Communications

In December 1995, Wireless Communications and three other companies were granted PCS licences in the 1.9 GHz frequency band. One of these companies, Microcell, launched its service in Montreal in November 1996 with pricing that was the lowest in North America. Wireless Communications expects that by the end of 1997, the two additional companies that received PCS licences will have launched service and that competition will be strong in all major market areas. With two new entrants in the cellular/PCS marketplace, Wireless Communications will face increased competition and the threat of lower prices for services.

During 1996, Wireless Communications continued to deploy TDMA digital radio technology throughout key parts of its network. Many of the cellular and/or licensed PCS operators in the United States and Canada have been actively building networks with other digital technologies such as Code Division Multiple Access ("CDMA") or Global System for Mobile ("GSM"), the standard digital technology in Europe and other parts of the world. It is unclear at this time which type of technology will have the lowest cost and the highest quality when it is fully loaded and operational. GSM systems have been functioning in Europe and other parts of the world for several years, as has TDMA in North America. At this time, other cellular service providers, particularly AWS, are also committed to the use of TDMA at both 800 MHz and 1.9 GHz frequencies.

In May 1996, the CRTC initiated a public notice seeking comments on the issue of equal access, co-location and unbundling. Under equal access, Wireless Communications may be required to offer its subscribers access to competitive long distance networks on an "equal access" or "1 plus" dialing basis, where all calls are automatically routed to an alternative long distance network without having to dial an access number. Wireless Communications monitors its long distance revenue regularly, and to date has experienced only minor erosion of its long distance business to other carriers. Under current conditions, the customer must dial an access number to use another long distance service provider. A portion of Wireless Communications' long distance revenue, which totalled $72.6 million in 1996, could be at risk if the CRTC rules in favour of equal access. However, this decrease could be at least partially offset by increases in local airtime as a result of increased use of cellular phones for long distance calls. With unbundling, wireless companies could be required to unbundle the wireless access from the distribution network and to lease portions of the wireless network to other service providers. The same parties that have requested unbundling are also requesting co-location of their equipment with Wireless Communications' sites. A CRTC decision on these issues is expected in the second quarter of 1997.

Also in May 1996, the CRTC initiated a proceeding to examine whether all long distance service providers, including wireless service providers, should be required to pay long distance contribution to the local access shortfall. This shortfall is the amount by which the local access costs incurred by the local exchange carrier in providing residential telephony are subsidized by long distance and local business rates. Wireless Communications and other cellular providers do not currently make such payments. Wireless Communications is not able to predict the outcome of this proceeding, but if implemented, such a payment would be an additional operating expense. This expense, however, may be offset by payments to Wireless Communications by the local exchange carriers for the termination of calls on Wireless Communications' network.

Last year, the CRTC conducted a proceeding to determine the rules governing local telephone competition. The local exchange carriers argue that competitive local providers should be required to pay local contribution payments. The telephone companies argue that these payments would be required as compensation for a subsidy between urban and rural rates and residential versus business rates. If the decision recognizes cellular carriers as competitive local providers, Wireless Communications would be required to pay local contribution. Again, this expense may be offset by payments from local exchange carriers for termination of calls on Wireless Communications' network.

The CRTC has initiated a proceeding to deal with local number portability in the wireline network. Certain wireless carriers have proposed that this be extended to the wireless industry as soon as possible. However, the CRTC ruled in October 1996 that participation by wireless carriers would not be mandated during an interim period which runs until approximately 1999. The CRTC will likely re-examine the issue after the interim period. In the U.S., the Federal Communications Commission has ruled that wireless carriers should provide number portability by approximately 1999. The Canadian cellular companies have indicated that they intend to provide number portability when it is technically feasible. Therefore, there is some likelihood that Wireless Communications will be required to provide number portability in or around 1999. The introduction of mandatory wireless local number portability could increase the subscriber churn that Wireless Communications experiences, which would reduce revenue and increase expenses.

During 1995, two national one-way and four two-way paging licences were issued to bring new entrants into the Canadian marketplace. Wireless Communications received one of the two-way licences and was already a holder of a national one-way licence. In 1996, with the addition of new U.S. entrants such as PageNet and PageMart, Wireless Communications' paging division has seen

increased competition and price decreases. Wireless Communications believes that it is well positioned to benefit from the market expansion that increased competition will bring, due to its extensive national network and broad distribution, however, there will continue to be downward pressure on prices and margins.

b.3 Multi-Media

The following table and discussion compare 1996 results with 1995 results for Multi-Media, which includes Magazine Publishing, Broadcasting and New Media divisions.

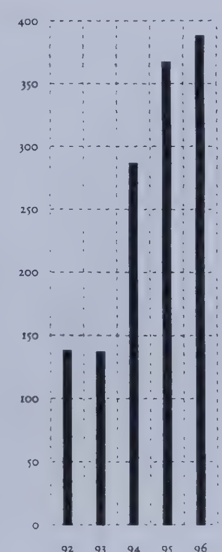
Multi-Media[1] Years ended December 31 (In millions of dollars)	1996	(Restated) 1995	% Change
Revenue			
Magazine Publishing	**$ 208.4**	$ 203.7	2.3 %
Broadcasting	**179.4**	163.4	9.8 %
Total	**$ 387.8**	$ 367.1	5.6 %
Operating Income[2]			
Magazine Publishing	**$ 17.3**	$ 14.7	17.7 %
Broadcasting	**18.5**	18.7	(1.6)%
New Media	**(0.7)**	–	–
Total	**$ 35.1**	$ 33.4	4.9 %
Operating Income[2] as a % of Revenue			
Magazine Publishing	**8.3%**	7.2%	
Broadcasting	**10.3%**	11.5%	
Total	**9.0%**	9.1%	
Capital Expenditures	**$ 12.8**	$ 9.8	31.0 %

[1] Excludes The Toronto Sun Publishing Corporation which was sold in October 1996, and has been treated as a discontinued operation.
[2] Before depreciation and amortization. Also, before Corporate management fees, which eliminate on consolidation.

Total revenue for Multi-Media was $387.8 million, an increase of $20.7 million or 5.6% from $367.1 million in 1995. Revenue growth in Magazine Publishing and Radio and Television Broadcasting was modest, but The Shopping Channel ("tSc"), the televised home-shopping service formerly known as CHSN, recorded growth in revenue of 34% during 1996.

Operating income before depreciation and amortization was $35.1 million, an increase of $1.7 million or 4.9% from $33.4 million in 1995. The 1996 results include $3.0 million of unusual operating expenses related to the closure of Homes Plus, a televised real estate listings channel, and the termination of a licensing arrangement with The Home Shopping Network.

Multi-Media Revenue
($ in millions)



Magazine Publishing

Magazine Publishing revenue was $208.4 million in 1996, an increase of $4.7 million or 2.3% over 1995. All of Magazine Publishing's major divisions recorded revenue increases in 1996 compared to 1995, except for the consumer titles in Quebec. Growth was most pronounced in the News and Business consumer titles (an increase of 4.8%) and the Medical and Professional business titles (an increase of 7.9%).

Advertising markets were volatile during the year, but after a very slow start, the gains in the fourth quarter were the best in many years. Run-of-press advertising lineage was flat compared to 1995, but there was reasonable growth in inserts and supplements, particularly in the latter part of the year as paper prices declined. Overall advertising revenue increased by 2.2% compared to 1995.

Circulation revenue was flat in 1996 and the circulation bases for our major consumer titles were held at 1995 levels. The overall margin earned on circulation activities also remained stable compared to the prior year. Competition for sales of our magazines at the news stand remains intense.

The major challenge for both 1995 and 1996 has been the volatility of prices for coated magazine paper stock. After increasing by over 60% during 1995, prices started to decline again in 1996, with decreases announced by the end of the year amounting to approximately 30%. The result was that paper cost approximately the same in 1996 as it did in 1995, although considerably more than it did in 1994. Prices are currently stable, although they remain unpredictable.

Operating income before depreciation and amortization for Magazine Publishing was $17.3 million, an increase of $2.6 million or 17.7% from $14.7 million in 1995. Major improvements were recorded in our medical titles in 1996, especially *The Medical Post*™ and *L'Actualité Médicale*™, as pharmaceutical advertising rebounded from a severe downturn in 1995 and several new vehicles for advertising were introduced. *Maclean's*™ also had a strong finish to the year and bettered its 1995 performance. The only weak performance in 1996 was from our consumer titles in Quebec, due to the uncertain advertising sales environment.

Broadcasting

Broadcasting's 1996 revenue was $179.4 million, an increase of $16.0 million or 9.8% over 1995. The revenue increase can be attributed to strong growth at tSc, which is now in its second year of live motion programming.

The Radio division had a mixed year in 1996 with total revenues trailing behind our expectations during the first three quarters of the year, but recovering strongly in the fourth quarter to finish 1996

The Shopping Channel had a tremendous year. The service was given approval to use live motion in 1995 and this, coupled with significant investments in programming and infrastructure in 1996, allowed tSc to increase revenues by 34% over 1995. 1996 saw tSc achieve operating profitability for the first time after years of operating losses.

slightly ahead of 1995 at $67.9 million. The largest revenue growth in 1996 came from 680News™ in Toronto, Canada's first all news format station, with growth of $1.1 million over 1995. 680News has seen steady improvement in its ratings and, consequently, in its revenues. It also leads the Radio division in operating profit increase versus 1995. Audience and advertiser acceptance of this format is steadily improving and we are seeing this acceptance spill over to our second all news format on 1130News™ in Vancouver. CHFI-FM™ in Toronto maintained its leadership position in this market and capitalized on a 13.6 rating from the Bureau of Broadcast Measurement in the spring of 1996. CHFI-FM continues to be the most profitable of the radio division properties. The FM stations in Ottawa, Vancouver and Kitchener reported strong growth in operating income. CIOC-FM™ in Victoria, our 1995 acquisition, made significant inroads into the Victoria market this year.

Revenue at CFMT-TV, the multilingual television station in Toronto, declined slightly compared to 1995 as competition for English language national revenues remained fierce. However, following a decision in the fall of 1995 to revert to a more niche oriented programming strategy, 1996 operating income improved by more than 50% over 1995.

tSc had a tremendous year. The service was given approval to use live motion in 1995 and this, coupled with significant investments in programming and infrastructure in 1996, allowed tSc to increase revenues by 34% over 1995. 1996 saw tSc achieve operating profitability for the first time after years of operating losses. Further investments are being made in 1997 to increase warehousing space and improve operational efficiency.

Operating income before depreciation and amortization in Broadcasting was $18.5 million, a small decrease from 1995. However, excluding the effect of the non-recurring charges for the closure of Homes Plus and the termination of The Home Shopping Network licensing arrangement, operating income before depreciation and amortization would have increased by $1.8 million compared to 1995. The main contributors to this improvement were CFMT-TV and tSc.

New Media

In the latter part of 1996, Multi-Media began to invest in the growth and development of a number of New Media initiatives. Of particular note is Multi-Media's role in the establishment of Yahoo! Canada, a Canadian version of a popular Internet search engine, which has to date achieved market leadership in attracting Internet advertising dollars.

Capital Expenditures – Multi-Media

Total Multi-Media capital expenditures in 1996 were $12.9 million compared to $9.8 million in 1995. These businesses are not capital intensive. The major project in 1996 related to the relocation of tSc to a new facility and investments in studio and broadcast equipment at tSc to further improve its broadcast quality following the conversion to live motion.

Capital expenditures in 1997 are expected to decline from 1996 levels.

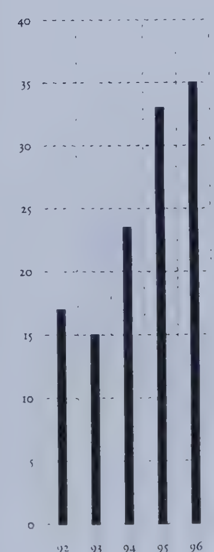
Risks and Uncertainties – Multi-Media

Paper prices have moderated in recent months, but the future direction remains unpredictable. Management, in partnership with our printer, carefully monitor the trends and forecasts for this commodity and have taken aggressive steps to minimize paper consumption.

Advertising revenues, which are largely a function of consumer confidence and general economic conditions, also remain unpredictable, although the diversity of the group both geographically and in terms of the breadth of media should help to provide some stability to the advertising revenue base. It is also well established that advertising dollars migrate to media properties which are leaders in their respective markets when advertising budgets are decreased. Most of Multi-Media's radio and magazine properties are market leaders in their respective markets.

During 1996, the U.S. filed a complaint to the World Trade Organization ("WTO") that certain measures adopted by Canada to promote Canadian magazines contravene Canada's obligations under the General Agreement on Tariffs and Trade ("GATT"). Initial indications are that the WTO will uphold these complaints and require Canada to bring some of the measures in line with GATT, while recognizing Canada's right to continue to promote and protect Canadian culture. The Government of Canada is continuing to emphasize the importance it attaches to having a vibrant and successful Canadian magazine industry which fulfils a vital role in enabling Canadians to communicate with each other, and is working with the industry to develop a response to the anticipated WTO decision. As the leading magazine publisher in the country, Multi-Media is an active participant in this process and would be impacted by changes to regulations which currently support Canadian magazines. It is too early to predict the eventual outcome of these negotiations or the impact which they may have on Multi-Media's revenue and operating income.

Multi-Media Operating Income*
($ in millions)
**before depreciation and amortization*



c. Financial Instruments

Rogers structures its borrowings on a stand-alone basis. Therefore, borrowings by each of its three business groups and by the parent company are generally secured only by the assets of the respective entities within each group, and such instruments generally do not provide for cross-collateralization or cross-defaults between groups, or guarantees. Assistance for parent company financial obligations generally comes from three sources on an ongoing basis, including management fees paid by the operating subsidiaries to the parent company, interest income on intercompany advances and other distributions from the operating companies allowable under the terms of their various financial instruments. For details regarding the $4.92 billion of consolidated long-term debt outstanding at December 31, 1996, see Note 7 to the Consolidated Financial Statements.

Interest Rate and Foreign Exchange Management

Rogers closely manages its exposure to floating interest rates and U.S. dollar foreign exchange fluctuations through the use of interest rate and cross-currency exchange agreements or "swaps." In order to minimize the risk of counterparty default under its swap agreements, Rogers assesses the creditworthiness of its swap counterparties. Currently, 100% of its total swap portfolio is held by financial institutions with a Standard & Poor's rating (or the equivalent) in the AA range. As at December 31, 1996, Rogers' U.S. dollar denominated long-term debt amounted to US$2.96 billion. The incurrence of this U.S. dollar denominated debt has caused substantial foreign exchange exposure as Rogers' revenue and assets are almost exclusively denominated in Canadian dollars. Despite the large amount of fixed rate debt, Rogers has been able to maintain a balance of fixed and floating rate debt by converting a portion of U.S. fixed rate debt into Canadian dollar floating rate debt as described below.

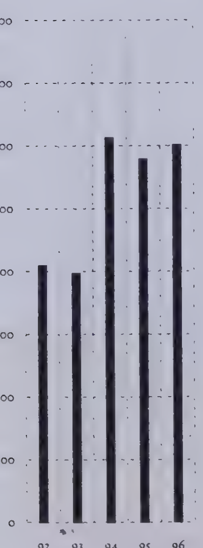
Rogers' target is to maintain fixed interest rates on at least 80% of its outstanding long-term debt. Apart from a period in 1994 when a floating rate bridge facility incurred to finance the MHL transaction was outstanding, this goal has been maintained for several years through a combined use of interest rate swaps and fixed rate debt instruments. Rogers has also established a target of hedging approximately 50% of its foreign exchange exposure through the use of cross-currency swaps (excluding U.S. dollar denominated convertible debt). At these levels, Rogers believes it is appropriately balancing its financial risks with the cost of such hedging vehicles. Management continuously re-evaluates its hedging strategies.

During fiscal 1991–1993, Rogers refinanced most of its floating rate bank debt with fixed rate U.S. dollar institutional debt. Since the incurrence of the U.S. dollar fixed rate debt caused Rogers to have a higher percentage of its long-term debt at fixed interest rates than was targeted, a large majority of the cross-currency swaps entered into convert U.S. fixed rate interest into Canadian floating rate interest in order to re-establish the balance between fixed rate and floating rate debt.

The result of these hedging activities, combined with the effect of a $610.0 million interest rate swap portfolio and the remaining naturally fixed debt, is that approximately 85.3% of Rogers' long-term debt was fixed as of December 31, 1996. The weighted average interest rate for total long-term debt was 9.6% at December 31, 1996 for a weighted average term of approximately 9.9 years.

Rogers has entered into a number of cross-currency interest rate exchange agreements that serve to hedge US$1.24 billion, or 42.1% of the total U.S. dollar denominated long-term debt of US$2.96 billion at December 31, 1996. Excluding all U.S. dollar denominated convertible debt (US$294.8 million) from this total, approximately 46.7% of the foreign exchange exposure was hedged. The effect of these agreements is to convert the obligation to service U.S. dollar

Total Assets
($ in millions)



denominated debt in the amount of US$1.24 billion into Canadian dollar denominated debt at an average exchange rate of 1.2530 Canadian dollars to US$1.00. Excluding all U.S. dollar convertible debt, Rogers calculates that on the unhedged portion of its U.S. dollar debt, each 1¢ change in the Canadian dollar versus the U.S. dollar results in a change in principal amount of debt and annual interest expense of CDN$17.1 million and CDN$1.6 million, respectively. This yields less than a 2¢ change in consolidated earnings per share. The U.S. dollar convertible debt, described in more detail in Note 7 to the Consolidated Financial Statements, has been excluded from the above totals because it is convertible into Class B Non-Voting Shares.

The following table presents a summary of Rogers' sensitivity to changes in the Canadian dollar versus the U.S. dollar and the per share sensitivity to the changes in interest expense and principal amortization. Again, calculations exclude U.S. dollar convertible debt.

Change in CDN$ versus US$	Principal Amounts	Interest Expense	Per Share[1]
1¢	$ 17.1	$ 1.6	2¢
3¢	51.3	4.8	5¢
5¢	85.5	8.0	9¢
10¢	171.0	16.0	17¢

[1] Assumes no income tax effect. Includes the interest impact and the amortization of the change in principal amounts, which would be amortized over the remaining life of the unhedged debt estimated at approximately 11.7 years.

Rogers' US$2.96 billion of long-term debt is spread among its different operating entities and the parent company. The following table provides a breakdown by company of the U.S. dollar exposure, excluding U.S. dollar denominated convertible debt of US$294.8 million and the percentage of this exposure by business that has been hedged as at December 31, 1996.

Business	U.S. Dollar Debt	% Hedged
Cablesystems	$ 1,427.0	53%
Wireless Communications	885.0	44%
Rogers Corporate	350.0	29%
Total	$ 2,662.0	47%

d. Financial Position

Liquidity and Cash Flow

This discussion is based upon the Consolidated Statements of Changes in Financial Position on page 46.

Rogers has for many years participated in new communications initiatives that require ongoing high levels of capital expenditures. As a result of these expenditures and the significant amount of debt used to finance them, interest and depreciation expense has remained high and resulted in net losses in all periods since 1990.

The operating cash shortfall (defined as cash flow from operations after working capital, capital expenditures and preferred dividends) was $869.3 million in 1996 as compared to $453.9 million in the prior year.

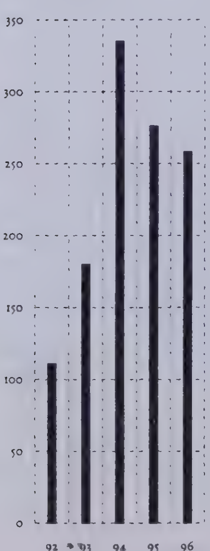
In addition, funds were used to redeem capital stock of $90.0 million, to purchase cable television systems for $124.1 million, to fund the investment in shares and notes of Cogeco of $49.8 million, and certain other investments totalling $12.5 million, resulting in total funds required of $276.4 million.

To fund these requirements, Rogers issued long-term debt of $445.6 million (net of financing costs and debt repayments), issued capital stock of $2.0 million, issued warrants by a subsidiary company of $32.5 million, disposed of Assets Held for Sale for $160.7 million, sold subsidiary and associated companies for $357.6 million, and sold cable television systems for $368.8 million, resulting in total sources of cash of $1,367.2 million.

The totals above exclude the issuance and redemption of certain preferred shares held by a subsidiary company and the corresponding increases and reductions in the investment in General as they were cash neutral transactions. See Note 8(b) of the Consolidated Financial Statements for additional details.

After funding these uses of cash, Rogers was left with a cash surplus of $221.5 million for the year ended December 31, 1996. Adding the $58.2 million of cash on hand net of bank advances at December 31, 1995 and the funds provided by discontinued operations of $30.9 million to the surplus left Rogers with cash on hand net of bank advances of $310.7 million at December 31, 1996. Total long-term debt increased during the year to reach $4.92 billion, an increase of $562.2 million since December 31, 1995 (including increases related to foreign exchange).

Cash Flow from Operations
($ in millions)



Financing

In January 1996, Multi-Media entered into a revolving bank credit which provides total commitments of up to $175 million and matures on December 31, 2002. A $75 million portion was drawn and distributed to Rogers to fund part of the $637 million equity investment Rogers made in 1996 in Cablesystems.

In January and February 1996, Rogers issued US$100 million of 9.125% 10-year Senior Notes due 2006 in the United States and $75 million of 10.5% Senior Notes due 2006 in Canada, for total net proceeds to Rogers of approximately $205 million. Rogers used the proceeds from the two offerings to fund an equity investment in Cable Television, to voluntarily redeem the remaining $90 million of Series XV Preferred Shares, and for general corporate purposes. The Canadian dollar portion of the financing was the first public high yield financing ever completed in Canada.

In May 1996, Wireless Communications completed the issuance of approximately US$800 million of senior debt. The Securities were issued in three tranches: CDN$160 million of 10.5% Senior Secured Notes due 2006; US$510 million of 9⅜% Senior Secured Debentures due 2008; and US$175 million of 9¾% Senior Secured Debentures due 2016. Proceeds from the securities

were used to purchase and redeem all of the outstanding US$460 10¾% Notes due 2001 and for general corporate purposes. The purchase and redemption of the US$460 million Notes resulted in a total non-recurring charge of $64.6 million relating to the write-off of deferred foreign exchange losses, deferred financing costs and the premium and commissions on redemption. Approximately half of the charge was non-cash.

In May 1996, Rogers issued $170 million of Series XXV Preferred Shares to General. The issuance by Rogers of preferred shares was equivalent to the amount of a promissory note received from General.

Throughout the year, the Company undertook a series of asset sales, the most significant of which were the sale of cable systems to Cogeco, the sale of the Company's 63% interest in The Toronto Sun Publishing Corporation, the sale of the Company's U.S. Business Forms division, Transkrit, and the sale of Davis + Henderson. Together these sales raised approximately $783.9 million, of which $723.8 million was cash.

On June 28, 1996, a series of transactions took place that saw Rogers acquire cable systems from Shaw for approximately $120.5 million, sell its 34% interest in YTV, its 29% interest in NCN and its interest in CFCN-TV. The proceeds for the sale of these three assets approximately matched the price paid for the cable systems acquired from Shaw.

In November 1996, Cable Television secured a commitment from several Canadian banks to underwrite a $605 million long-term revolving bank credit facility. The new facility replaced a smaller, shorter term facility.

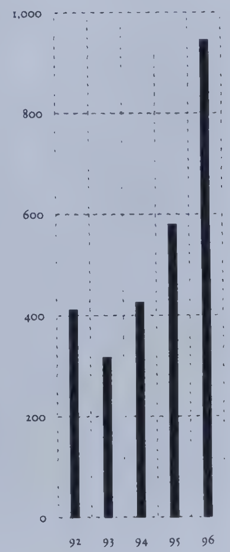
Of the total long-term debt of $4.9 billion, total long-term bank debt outstanding at December 31, 1996 was $248.8 million, up from $220.6 million at year-end 1995. Of this total, the principal components were $172.0 million outstanding under the Wireless Communications facility and $74.0 million outstanding under the Multi-Media facility.

At December 31, 1996, Rogers' bank facilities provided for aggregate credit limits of $1,330.1 million, $1,075.3 million of which were unutilized. Generally, access to these credit facilities is subject to compliance with certain debt to cash flow covenants, and at December 31, 1996, Rogers could have borrowed additional long-term debt under these credit facilities in the amount of $541.0 million ($333.9 at Wireless Communications, $114.1 million at Cablesystems, $58.8 million at Multi-Media and $34.2 million at Rogers).

Of all the Rogers debt instruments, the provisions of the bank loan agreements generally impose the most restrictive limitations on the operations and activities of the companies governed by these agreements. The most significant of these restrictions are debt incurrence and maintenance tests and restrictions upon additional investments, and sales of assets and distributions to shareholders. Rogers and its subsidiaries are currently in compliance with all of the covenants under their respective debt instruments. See Note 7 to the Consolidated Financial Statements for additional details.

As mentioned above, there are restrictions on the amount of funds that can be distributed out of the operating companies to the parent company. On December 31, 1996, a total of $127.7 million could have been distributed to the parent company from the operating companies in the form of distributions and repayments of intercompany notes.

Total Capital Expenditures
($ in millions)



Rogers' required repayments on all long-term debt in the next five years total $541.0 million, of which $64.6 million is due in 1997. The repayments in 1997 through 2000 include principal repayments under the 11.09% Senior Subordinated Notes of Cablesystems due 2000. The 1999 repayment includes the assumed repayment of the Rogers $200 million Convertible Subordinated Debentures, although these debentures can be converted into Rogers Class B Non-Voting Shares. Rogers expects to refinance the majority of these borrowings as they come due. See Note 7 to the Consolidated Financial Statements for further details on debt repayments.

During 1997, although Rogers anticipates operating income before depreciation and amortization to increase, interest expense and capital expenditures are also expected to increase, resulting in a net cash shortfall in 1997 approximating the 1996 level.

In anticipation of its future needs for financing, in February 1997, Wireless Communications received a commitment from a group of banks to provide an amended bank credit facility of at least $700 million. The amended facility extends the reduction schedule and maturity date by 3.5 years. See Note 7 to the Consolidated Financial Statements for further details. Rogers expects that cash from Wireless Communications' operations, together with additional borrowings available to Wireless Communications under the amended bank credit facility, will provide Wireless Communications with sufficient financial resources during 1997. Rogers expects that subsequent to 1997, Wireless Communications will require additional financing .

Rogers expects that cash from operations, together with additional borrowings available to Cablesystems under existing credit facilities, and current cash on hand will be sufficient to meet Cablesystems' capital and other expenditure requirements through 1997 and 1998.

Rogers expects that subsequent to 1998, Cablesystems will require additional debt and/or equity to provide sufficient financial resources. Rogers expects such additional financing to be raised by Cablesystems from one or more public or private debt offerings, modifications to, or the replacement of Cablesystems' bank facilities, the sale of non-strategic cable systems or the issuance of equity by Rogers or one or more of its subsidiaries and the contribution of those proceeds to Cablesystems.

Rogers expects it will have sufficient financial resources to fund its financial obligations on an unconsolidated basis in 1997, given the proceeds from asset sales in 1996 and borrowings to be made by Multi-Media, Cablesystems and Wireless Communications under their separate bank credit facilities.

Rogers expects that subsequent to 1997, it will require additional funds to satisfy its financial obligations on a corporate basis. These additional funds could be obtained by Rogers or one or more of its subsidiaries from various sources including the issuance of equity, the sale of assets or the issuance of additional debt.

Common Stock Information

Share Price and Trading Volume – The Toronto Stock Exchange (RCI.A Voting Shares) CDN$

Years Ended		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
December 1993	High	$ 17.75	$ 20.38	$ 22.50	$ 25.63	$ 25.63
	Low	$ 15.88	$ 17.00	$ 18.88	$ 21.13	$ 15.88
	Close	$ 17.50	$ 20.13	$ 22.00	$ 23.00	$ 23.00
	Volume (000s)	713	405	787	203	2,108
December 1994	High	$ 25.25	$ 24.38	$ 25.00	$ 21.25	$ 25.25
	Low	$ 20.50	$ 21.00	$ 21.50	$ 18.88	$ 18.88
	Close	$ 22.50	$ 22.13	$ 21.75	$ 20.38	$ 20.38
	Volume (000s)	952	511	330	239	2,032
December 1995	High	$ 20.00	$ 19.63	$ 17.75	$ 16.88	$ 20.00
	Low	$ 17.50	$ 15.25	$ 14.25	$ 12.38	$ 12.38
	Close	$ 19.75	$ 17.25	$ 14.25	$ 16.50	$ 16.50
	Volume (000s)	138	357	180	333	1,008
December 1996	High	**$ 17.13**	**$ 15.25**	**$ 13.50**	**$ 12.25**	**$ 17.13**
	Low	**$ 13.50**	**$ 13.25**	**$ 9.25**	**$ 8.75**	**$ 8.75**
	Close	**$ 14.25**	**$ 13.40**	**$ 9.25**	**$ 10.85**	**$ 10.85**
	Volume (000s)	**391**	**1,219**	**414**	**390**	**2,414**

Share Price and Trading Volume – The Toronto Stock Exchange (RCI.B Non-voting Shares) CDN$

Years Ended		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
December 1993	High	$ 17.13	$ 19.63	$ 22.00	$ 24.88	$ 24.88
	Low	$ 14.50	$ 16.63	$ 18.38	$ 20.13	$ 14.50
	Close	$ 16.88	$ 19.50	$ 20.25	$ 21.88	$ 21.88
	Volume (000s)	23,694	20,128	24,187	18,887	86,896
December 1994	High	$ 24.00	$ 21.00	$ 23.00	$ 20.50	$ 24.00
	Low	$ 19.75	$ 17.25	$ 19.50	$ 17.75	$ 17.25
	Close	$ 21.25	$ 19.88	$ 20.38	$ 18.75	$ 18.75
	Volume (000s)	34,442	18,356	20,562	19,408	92,768
December 1995	High	$ 18.88	$ 18.25	$ 16.38	$ 16.00	$ 18.88
	Low	$ 16.50	$ 13.75	$ 13.00	$ 11.50	$ 11.50
	Close	$ 18.25	$ 16.13	$ 13.25	$ 15.25	$ 15.25
	Volume (000s)	25,859	34,574	20,096	20,103	100,633
December 1996	High	**$ 16.13**	**$ 14.00**	**$ 12.95**	**$ 11.60**	**$ 16.13**
	Low	**$ 12.25**	**$ 12.38**	**$ 8.20**	**$ 8.15**	**$ 8.15**
	Close	**$ 12.38**	**$ 12.80**	**$ 8.25**	**$ 10.10**	**$ 10.10**
	Volume (000s)	**22,909**	**38,045**	**22,572**	**17,577**	**101,103**

Share Price and Trading Volume – The New York Stock Exchange (RG Non-voting Shares) US$

Year Ended		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
December 1996*	High	**$ 11.75**	**$ 10.13**	**$ 9.38**	**$ 8.63**	**$ 11.75**
	Low	**$ 9.13**	**$ 9.13**	**$ 6.00**	**$ 6.13**	**$ 6.00**
	Close	**$ 9.25**	**$ 9.25**	**$ 6.00**	**$ 7.13**	**$ 7.13**
	Volume (000s)	**2,580**	**881**	**1,230**	**1,624**	**6,316**

*First day of trading on the New York Stock Exchange was January 11, 1996

Subscriber Statistics

Key Wireless Communications Statistics

Years ended December 31	1996	1995	1994	1993	1992
Cellular Statistics[1]					
Subscribers	1,369,600	1,049,400	793,900	573,400	459,800
Subscribers to population served	5.16%	4.00%	3.09%	2.26%	1.85%
Average monthly revenue per subscriber	$ 66	$ 73	$ 79	$ 84	$ 93
Average monthly operating expense per subscriber	$ 21	$ 22	$ 27	$ 32	$ 41
Switches	18	17	17	17	17
Cell sites	1,133	862	785	746	676
Paging Statistics					
Subscribers	242,800	201,800	191,800	115,400	91,100

Key Cable Television Statistics[2]

Homes in licenced area	2,744,344	2,987,836	2,941,873	2,091,701	2,058,448
Homes passed by cable	2,733,367	2,975,885	2,930,106	2,083,334	2,050,214
Basic cable subscribers	2,229,635	2,432,320	2,401,375	1,753,392	1,729,889
Basic to homes passed	81.6%	81.7%	82.0%	84.2%	84.4%
Pay television households[3]	240,729	269,303	290,289	240,645	266,479
Pay to basic	10.8%	11.1%	12.1%	13.7%	15.4%
Cable Plus to basic	88.1%	87.9%	93.5%	98.4%	99.4%
Average monthly cable revenue per subscriber[4]	$ 28.28	$ 27.78	$ 26.85[5]	$ 25.17	$ 22.61

Canadian Cable Subscribers

Breakdown at December 31, 1996	Homes Passed	Basic Subscribers	Basic Subscribers to Homes Passed	% of Subscribers
Ontario				
Greater Toronto Area	1,171,824	963,525	82.2%	43.2%
Ottawa	305,728	245,068	80.2%	11.0%
South Western Ontario	497,967	402,506	80.8%	18.1%
Total	1,975,519	1,611,099	81.6%	72.3%
British Columbia				
Vancouver	345,216	276,322	80.0%	12.4%
Greater Vancouver Area	412,632	342,214	82.9%	15.3%
Total	757,848	618,536	81.6%	27.7%
Grand Total	2,733,367	2,229,635	81.6%	100.0%

(1) Per subscriber Wireless Communications statistics are based on a 13-point average.
(2) All subscriber statistics exclude the Alaska cable system which had 5,725 subscribers at December 31, 1996.
(3) Includes Bulk as in prior years.
(4) Includes revenues from cable operations (Basic Cable service, Cable Plus, pay television, pay-per-view, installation and converters). These figures exclude Hotel Pay TV, Local Telecommunications and Video Store revenues.
(5) Calculated on a pro forma basis (assuming all purchases, sales and swaps had been in effect for the full year).

Ten Year Financial Summary

Years ended December 31 (In thousands of dollars, except per share amounts)	1996	1995	1994	1993
Income and Cash Flow				
Revenue				
Cable Television	$ 992,271	$ 929,389	$ 842,811	$ 593,549
Wireless Communications	1,102,854	899,521	750,420	605,614
Multi-Media	387,828	367,133	286,518	137,315
	2,482,953	2,196,043	1,879,749	1,336,478
Operating income before restructuring charges and depreciation and amortization				
Cable Television	336,835	351,824	375,790	252,284
Wireless Communications	351,145	315,642	289,921	198,648
Multi-Media	35,062	33,417	23,655	14,725
Corporate	(18,748)	(22,536)	(18,852)	(16,164)
	704,294	678,347	670,514	449,493
Non-recurring items, net of income taxes and minority interest	(134,661)	(136,602)	(41,927)	(103,920)
Net income (loss)	$ (278,370)	$ (283,357)	$ (168,013)	$ (287,049)
Cash flow from operations[1]	$ 258,688	$ 276,498	$ 335,022	$ 180,069
Capital expenditures	$ 945,098	$ 579,692	$ 406,762	$ 317,537
Average Class A and Class B shares outstanding (000s)	178,080	177,614	172,767	160,696
Per share				
Net income (loss)	$ (1.72)	$ (1.78)	$ (1.16)	$ (1.89)
Cash flow from operations[1]	$ 1.45	$ 1.56	$ 1.94	$ 1.12
Balance Sheet				
Assets				
Fixed assets	$ 2,870,249	$ 2,622,318	$ 2,380,114	$ 1,900,932
Goodwill, subscribers and licences	1,577,036	1,918,529	1,933,996	839,484
Investments	429,052	224,547	513,498	549,601
Other assets	1,137,978	1,023,567	1,301,019	680,860
	$ 6,014,315	$ 5,788,961	$ 6,128,627	$ 3,970,877
Liabilities and Shareholders' Equity				
Long-term debt	$ 4,922,716	$ 4,360,470	$ 4,174,922	$ 2,773,721
Accounts payable and other liabilities	824,771	820,225	851,749	443,703
Deferred income taxes	221,388	266,986	283,391	168,974
Minority interest	—	71,323	67,794	–
Shareholders' equity (deficiency)	45,440	269,957	750,771	584,479
	$ 6,014,315	$ 5,788,961	$ 6,128,627	$ 3,970,877

[1] Cash flow from operations before changes in working capital amounts.

	Years ended August 31						
	1992	1991	1990	1990	1989	1988	1987
	$ 517,912	$ 465,817	$ 423,569	$ 395,101	$ 334,844	$ 277,812	$ 242,501
	516,519	414,262	346,427	295,989	177,951	37,515	–
	137,538	131,384	136,386	124,862	93,637	46,290	31,086
	1,171,969	1,011,463	906,382	815,952	606,432	361,617	273,587
	199,572	184,911	154,815	144,254	149,704	142,511	112,761
	129,452	99,605	54,051	48,673	30,026	6,856	–
	17,108	13,948	12,088	10,487	5,374	5,063	6,350
	(14,518)	(12,711)	(11,402)	(10,248)	(5,012)	(3,320)	(3,136)
	331,614	285,753	209,552	193,166	180,092	151,110	115,975
	(24,656)	87,208	6,774	–	688,106	72,661	(37,034)
	$ (180,317)	$ (59,994)	$ (106,426)	$ (71,967)	$ 702,833	$ 84,812	$ (24,862)
	$ 111,240	$ 99,890	$ 64,949	$ 74,062	$ 116,763	$ 86,530	$ 92,849
	$ 411,047	$ 289,070	$ 605,143	$ 600,004	$ 420,249	$ 121,699	$ 62,042
	152,784	130,179	120,092	111,861	101,749	125,062	183,246
	$ (1.30)	$ (0.76)	$ (1.32)	$ (1.06)	$ 6.67	$ 0.56	$ (0.21)
	$ 0.73	$ 0.77	$ 0.54	$ 0.66	$ 1.15	$ 0.69	$ 0.51
	$ 1,835,005	$ 1,646,511	$ 1,510,014	$ 1,386,250	$ 833,595	$ 498,841	$ 259,621
	914,907	959,129	954,869	956,333	867,278	229,782	121,645
	516,001	446,782	531,829	542,672	183,172	298,587	239,960
	829,085	296,327	214,029	200,083	118,555	85,296	32,001
	$ 4,094,998	$ 3,348,749	$ 3,210,741	$ 3,085,338	$ 2,002,600	$ 1,112,506	$ 653,227
	$ 2,696,286	$ 2,000,832	$ 1,871,795	$ 1,656,971	$ 755,418	$ 899,499	$ 320,975
	423,330	345,020	325,498	356,933	255,161	173,606	72,093
	277,369	270,920	205,835	208,157	210,532	31,778	12,920
	18,862	43,054	1,026	1,026	1,026	20,602	3,554
	679,151	688,923	806,587	862,251	780,463	(12,979)	243,685
	$ 4,094,998	$ 3,348,749	$ 3,210,741	$ 3,085,338	$ 2,002,600	$ 1,112,506	$ 653,227

Quarterly Comparison 1995–1996

(In thousands of dollars, except per share amounts)	1996				1995			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Income Statement								
Revenue:								
Cable Television	$ 251,787	$ 255,598	$ 243,970	$ 240,916	$242,246	$ 236,213	$ 228,912	$ 222,018
Wireless Communications	304,177	286,130	273,536	239,011	246,564	235,357	225,741	191,859
Multi-Media	109,639	86,222	103,127	88,840	104,821	82,690	97,713	81,909
	665,603	627,950	620,633	568,767	593,631	554,260	552,366	495,786
Operating income before restructuring charges and depreciation and amortization								
Cable Television	89,511	86,348	80,435	80,541	88,913	83,421	90,036	89,454
Wireless Communications	89,872	92,381	92,648	76,244	63,517	86,279	90,281	75,565
Multi-Media	15,816	6,294	13,226	(274)	14,772	2,472	12,480	3,693
Corporate	(3,039)	(5,266)	(5,481)	(4,962)	(5,429)	(5,707)	(6,220)	(5,180)
	192,160	179,757	180,828	151,549	161,773	166,465	186,577	163,532
Restructuring charges	–	87,701	–	–	–	–	–	–
Depreciation and amortization	121,782	124,496	112,856	95,790	98,946	99,020	103,300	94,763
Operating income	70,378	(32,440)	67,972	55,759	62,827	67,445	83,277	68,769
Interest expense	(122,627)	(116,382)	(119,036)	(112,780)	(108,223)	(105,828)	(109,215)	(105,329)
Other income (expense)	3,344	541	6,308	3,838	(883)	5,619	(12,248)	(9,825)
Non-recurring items	57,130	(23,698)	(40,347)	–	(34,026)	5,175	(98,989)	(8,762)
Income taxes	(36,543)	47,302	17,327	16,342	4,880	5,064	615	(515)
Income (loss) from discontinued operations	–	(24,072)	4,014	(700)	8,326	(719)	962	(1,754)
Loss for the period	$ (28,318)	$(148,749)	$ (63,762)	$ (37,541)	$ (67,099)	$ (23,244)	$ (135,598)	$ (57,416)
Loss per share	$ (0.20)	$ (0.87)	$ (0.40)	$ (0.25)	$ (0.44)	$ (0.15)	$ (0.81)	$ (0.38)
Operating income margin % before restructuring charges and depreciation and amortization								
Cable Television	35.6	33.8	33.0	33.4	36.7	35.3	39.3	40.3
Wireless Communications	29.5	32.3	33.9	31.9	25.8	36.7	40.0	39.4
Multi-Media	14.4	7.3	12.8	(0.3)	14.1	3.0	12.8	4.5
Consolidated	28.9	28.6	18.2	16.8	27.3	30.0	33.8	33.0
Cash flow from operations[1]	$ 76,536	$ 65,026	$ 69,315	$ 47,811	$ 55,481	$ 62,320	$ 89,614	$ 69,083
Capital expenditures	$ 275,913	$ 220,698	$ 255,584	$ 192,903	$272,749	$ 141,061	$ 98,381	$ 67,501

[1] Cash flow from operations before changes in working capital amounts.

Consolidated Statements of Income

(In thousands of dollars, except per share amounts)	Year ended December 31, 1996	Year ended December 31, 1995
		(Restated – note 2(b)(ii))
Revenue	$ 2,482,953	$ 2,196,043
Operating, general and administrative expenses	1,778,659	1,517,696
Operating income before the following	704,294	678,347
Cable Television restructuring charge (note 9(a))	67,378	–
Wireless Communications charge for digital telephones and corporate store closures (note 9(b))	20,323	–
Depreciation and amortization	454,924	396,029
Operating income	161,669	282,318
Interest on long-term debt	470,825	428,595
	(309,156)	(146,277)
Loss on early repayment of long-term debt (note 5(c))	(95,966)	–
Gain on sale of associated company (note 4(b))	25,002	–
Gain on sale of cable television systems (note 2(b)(i))	36,444	–
Gain on issue of warrants by subsidiary company to minority shareholder (note 6)	27,605	–
Investment income	17,588	21,677
Other income (expense)	(3,557)	11,017
Write-off of investment in and share of losses of Unitel Communications Holdings Inc. (note 4(b))	–	(152,607)
Write-down of investment in Claircom Communications Group Inc. (note 4(d))	–	(34,026)
Loss before income taxes and discontinued operations	(302,040)	(300,216)
Income taxes (note 10):		
Current	6,277	6,280
Deferred	(50,705)	(16,324)
	(44,428)	(10,044)
Loss from continuing operations	(257,612)	(290,172)
Income (loss) from discontinued operations (note 2(b)(ii))	(20,758)	6,815
Loss for the year	$ (278,370)	$ (283,357)
Basic loss per share (note 11):		
Loss from continuing operations	$ (1.60)	$ (1.81)
Loss for the year	(1.72)	(1.78)
Weighted average number of Class A Voting and Class B Non-Voting shares outstanding (in thousands)	178,080	177,614

Fully diluted earnings per share are not disclosed as they are anti-dilutive.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

(In thousands of dollars)	Year ended December 31, 1996	Year ended December 31, 1995
		(Restated – note 2(b)(ii))
Funds provided by (used for):		
Operations:		
Loss for the year from continuing operations	$ (257,612)	$ (290,172)
Items not affecting funds:		
Depreciation and amortization	454,924	396,029
Deferred income tax reduction	(50,705)	(16,324)
Accrued interest due on repayment of certain notes	15,839	15,072
Cable Television restructuring charge	67,378	–
Wireless Communications charge for digital telephones and corporate store closures	20,323	–
Loss on early repayment of long-term debt	95,966	–
Gain on sale of associated company	(25,002)	–
Gain on sale of cable television systems	(36,444)	–
Gain on issue of warrants by subsidiary company to minority shareholder	(27,605)	–
Share of losses (income) of associated companies, net	1,626	(4,255)
Write-off of investment in and share of losses of Unitel Communications Holdings Inc.	–	152,607
Write-down of investment in Claircom Communications Group Inc.	–	34,026
Gain on sale of investments, net	–	(10,485)
	258,688	276,498
Changes in:		
Accounts receivable	(43,639)	(65,119)
Accounts payable and accrued liabilities and unearned revenue	12,457	40,407
Deferred charges	(63,155)	(59,004)
Other assets	(61,129)	(35,062)
	103,222	157,720
Financing:		
Issue of long-term debt	1,314,409	1,070,011
Repayment of long-term debt	(823,959)	(846,406)
Financing costs incurred	(44,877)	(24,879)
Issue of capital stock	172,047	4,738
Redemption of capital stock	(90,000)	(173,228)
Issue of warrants by subsidiary company	32,500	–
Dividends on preferred shares	(27,395)	(31,941)
	532,725	(1,705)
Investments:		
Additions to fixed assets	(945,098)	(579,692)
Funds generated from assets held for sale	160,703	323,286
Reduction (increase) in investment in General Cable T.V. Limited	(170,000)	150,000
Proceeds on sale of subsidiary and associated companies, less cash on hand at date of sale of $36,225	357,641	–
Proceeds on sale of cable television systems	368,800	–
Purchase of cable television systems	(124,085)	–
Acquisition of shares and notes of Cogeco Cable Inc.	(49,800)	–
Proceeds on sale of other investments	–	43,938
Purchase of shares of Unitel Communications Holdings Inc.	–	(52,767)
Other investments	(12,561)	(30,344)
	(414,400)	(145,579)
Increase in funds from continuing operations	221,547	10,436
Funds provided by (used for) discontinued operations (note 2(b)(ii))	30,908	(313)
Funds, beginning of year	58,231	48,108
Funds, end of year	$ 310,686	$ 58,231

Funds are defined as cash and short-term deposits less bank advances.

Consolidated Balance Sheets

(In thousands of dollars)	As at December 31, 1996	As at December 31, 1995
Assets		
Fixed assets (note 3)	$ 2,870,249	$ 2,622,318
Subscribers and licences	1,365,232	1,552,276
Goodwill	211,804	366,253
Investments (note 4)	429,052	224,547
Cash and short-term deposits	310,686	74,197
Accounts receivable, net of allowance for doubtful accounts of $52,842 (1995 – $37,981)	295,472	327,972
Deferred charges (note 5)	332,175	297,500
Other assets (note 6)	199,645	186,325
Assets held for sale (note 2(c))	-	137,573
	$ 6,014,315	$ 5,788,961
Liabilities and Shareholders' Equity		
Liabilities:		
Long-term debt (note 7)	$ 4,922,716	$4,360,470
Bank advances	-	15,966
Accounts payable and accrued liabilities	733,514	703,472
Unearned revenue	91,257	100,787
Deferred income taxes	221,388	266,986
Minority interest	-	71,323
	5,968,875	5,519,004
Shareholders' equity:		
Capital stock (note 8)	566,573	489,089
Contributed surplus	366,047	362,283
Reorganization surplus	6,235	6,235
Deficit	(893,415)	(587,650)
	45,440	269,957
	$ 6,014,315	$ 5,788,961

Commitments (note 15)
Contingent liabilities (note 16)
Canadian and United States accounting policy differences (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Ted Rogers

Director

Director

Consolidated Statements of Deficit

(In thousands of dollars)	Year ended December 31, 1996	Year ended December 31, 1995
Deficit, beginning of year	$ 587,650	$ 272,352
Loss for the year	278,370	283,357
Dividends on preferred shares	27,395	31,941
Deficit, end of year	$ 893,415	$ 587,650

See accompanying notes to consolidated financial statements.

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Rogers Communications Inc. as at December 31, 1996 and 1995 and the consolidated statements of income, deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Generally accepted accounting principles in Canada differ in some respects from those applicable in the United States (note 17).

KPMG

KPMG

Chartered Accountants

Toronto, Canada
January 30, 1997
(February 19, 1997 as to note 7(b)(i))

Notes to Consolidated Financial Statements

1. Significant accounting policies

a. Consolidation

The consolidated financial statements include the accounts of Rogers Communications Inc. ("RCI") and its subsidiary companies (collectively the "Company").

Investments in associated companies and other business ventures over which the Company is able to exercise significant influence are accounted for by the equity method.

b. Capitalization policy

Fixed assets are recorded at purchase cost. Repairs and maintenance expenditures are charged to operations.

During construction of new assets, direct costs plus a portion of interest and overhead costs are capitalized. Interest capitalized for 1996 amounted to $5,591,000 (1995 – $3,109,000).

Leases that transfer substantially all of the benefits and risks of ownership are accounted for by the Company as capital leases. Accordingly, the asset values and related liabilities are recorded in the financial statements.

c. Depreciation

Fixed assets are depreciated annually over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Diminishing balance	5%
Towers, head-ends and transmitters	Straight line	6⅔%
Distribution cable, subscriber drops and cellular network equipment	Straight line	6⅔%
Network radio channels	Straight line	12½%
Computer equipment and software	Straight line	25% and 33⅓%
Converters and descramblers	Straight line	20%
Leasehold improvements	Straight line over the term of the lease	
Other equipment	Mainly diminishing balance	20% to 33⅓%

d. Subscribers, licences and goodwill

The Company amortizes the cost of subscribers and licences related to cable television system and cellular acquisitions using an increasing charge method over forty years at a discount rate of 4% per annum. Amortization of subscribers and licences for 1996 amounted to $21,445,000 (1995 – $23,146,000). Accumulated amortization of subscribers and licences amounted to $72,313,000 at December 31, 1996 (1995 – $56,952,000).

Goodwill is being amortized over periods of five to forty years on a straight line basis from the date of acquisition. Amortization of goodwill for 1996 amounted to $7,739,000 (1995 – $6,600,000). Accumulated amortization of goodwill amounted to $25,304,000 at December 31, 1996 (1995 – $25,567,000).

The Company annually reviews the carrying value of subscribers, licences and goodwill to determine if an impairment has occurred. The Company measures the potential impairment of these intangible assets by comparing the carrying value to the undiscounted value of expected future operating income before depreciation and amortization, and depending on the nature of the asset, interest and income taxes. Based on its review, the Company does not believe that an impairment of the carrying value of subscribers, licences and goodwill has occurred.

e. Foreign exchange

Long-term debt denominated in United States dollars is translated into Canadian dollars at the year end rate of exchange or at the hedge rate of exchange when cross-currency interest rate exchange agreements are in effect. Exchange gains or losses on translating this long-term debt are deferred and amortized on a straight line basis over the remaining life of the debt. All other exchange gains or losses are included in income.

f. Deferred charges

The costs of obtaining bank and other debt financing are deferred and amortized on a straight line basis over the effective life of the debt to which they relate.

The cost of subscriber telephones in lease-to-own programs is deferred and charged to operating, general and administrative expenses on a straight line basis over the terms of the customer contracts, to a maximum of 36 months.

During the development and pre-operating phases of new businesses, incremental costs are deferred and amortized on a straight line basis over periods up to five years.

g. Unearned revenue

Unearned revenue includes subscriber deposits and amounts received from subscribers related to services and subscriptions to be provided in future years.

h. Income taxes

The Company records income tax expense on the tax allocation basis. Tax deferred as a result of claiming, for income tax purposes, amounts different from those recorded in the accounts are charged against current operations and recorded in the consolidated balance sheet as deferred income taxes. Timing differences consist principally of tax depreciation in excess of book depreciation and the capitalization of certain costs for accounting purposes which costs are expensed for tax purposes.

i. Pensions

Pension expense consists of the aggregate of: (a) the actuarially computed costs of pension benefits provided in respect of current year's service; (b) imputed interest on any funding excess; and (c) the amortization over the expected average remaining service life of employees of: (i) the funding excess existing at the beginning of the year; and (ii) any actuarial experience gain or loss during the year.

j. Financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. These instruments include cross-currency interest rate exchange agreements and interest exchange agreements. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or

payments arising from financial instruments relating to interest are recognized in interest expense on an accrual basis. Gains or losses arising from the translation of U.S. dollar denominated debt under the cross-currency interest rate exchange agreements are deferred and amortized on a straight line basis over the remaining life of the cross-currency interest rate exchange agreements.

k. Basis of presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Acquisitions and divestitures

The Company has completed certain acquisitions and divestitures. The acquisitions were accounted for by the purchase method.

a. Acquisitions

i. 1996

During 1996, the Company purchased two cable television systems in British Columbia from Shaw Communications Inc. ("Shaw") for $120,524,000, a small cable television system in British Columbia from Pioneer Cablevision Limited for $3,561,000, 16 video stores for $7,937,000 and certain home security services for $2,555,000. Details of the net assets acquired at fair values are as follows:

(In thousands of dollars)	
Fixed assets	$ 33,757
Subscribers	94,411
Goodwill	7,900
Other assets	3,165
	139,233
Accounts payable and accrued liabilities	4,656
Cash consideration given	$ 134,577

ii. 1995

During 1995, the Company purchased the assets of a radio station, four video stores and a home security operation for cash of approximately $8,510,000. Goodwill arising on these acquisitions amounted to $7,803,000.

b. Divestitures

i. During 1996, the Company sold certain cable television systems in the areas of Hamilton, Niagara Falls, St. Catharines, Sarnia, Wallaceburg, Peterborough, the Ottawa Valley, Cornwall, North Bay and Huntsville. The systems sold serve approximately 307,000 basic cable subscribers.

Proceeds received on the sales were approximately $368,800,000, comprised of cash of $319,000,000, notes receivable with a discounted carrying value of $32,522,000 and shares of Cogeco Cable Inc. ("Cogeco") with a value of $17,278,000. The Company recorded a gain on the sale of these cable television systems of $36,444,000 before income taxes.

ii. In 1996, the Company sold its 63% interest in The Toronto Sun Publishing Corporation (the "Toronto Sun") for net proceeds of $258,905,000, resulting in a loss on sale of $23,885,000. In addition, the Company sold its 89% interest in Transkrit Corporation ("Transkrit") for net proceeds of $102,697,000. As the Toronto Sun and Transkrit represented identifiable business segments of the Company's operations, the results of operations and changes in financial position have been disclosed separately from those of continuing operations for the current and prior years.

The income (loss) from discontinued operations is comprised of the following:

(In thousands of dollars)	1996	1995
Revenue	$ 331,107	$ 497,441
Income before the undernoted items	$ 9,600	$ 19,354
Income tax expense	(4,292)	(7,902)
Minority interest	(2,181)	(4,637)
Income from discontinued operations to the date of sale	3,127	6,815
Loss on sale of discontinued operations	(23,885)	–
Income (loss) from discontinued operations	$ (20,758)	$ 6,815

Included in the consolidated balance sheet at December 31, 1995 is the net assets of discontinued operations, as follows:

(In thousands of dollars)	1995
Fixed assets	$ 217,988
Goodwill	155,128
Cash	14,478
Accounts receivable	70,290
Other assets	39,272
	497,156
Long-term debt	2,782
Bank advances	15,966
Accounts payable and accrued liabilities	58,006
Unearned revenue	11,807
Minority interest	71,290
	159,851
Net assets of discontinued operations	$ 337,305

Funds provided by (used for) discontinued operations are as follows:

(In thousands of dollars)	1996	1995
Funds provided by (used for):		
Operations:		
Net income for the period	$ 3,127	$ 6,815
Items in net income not affecting funds	26,594	38,618
Changes in working capital	(2,951)	3,747
	26,770	49,180
Financing:		
Repayment of long-term debt	(2,782)	(10,624)
Investments:		
Sales (acquisitions) of businesses	13,079	(12,968)
Additions to fixed assets	(11,432)	(20,143)
Other	5,273	(5,758)
	6,920	(38,869)
Funds provided by (used for) discontinued operations	$ 30,908	$ (313)

c. Assets held for sale

For accounting purposes, assets held for sale were carried at their estimated net realizable value which was considered to be proceeds on sale, net of taxes, commissions and other costs to sell. The Company did not record any income or loss from the operation or disposal of these assets. During 1996, proceeds of $160,703,000 (1995 – $323,286,000) were received for assets that have been sold.

3. Fixed assets

Details of fixed assets, at cost, are as follows:

(In thousands of dollars)	1996	1995
Land and buildings	$ 125,586	$ 164,902
Towers, head-ends and transmitters	237,429	206,405
Distribution cable and subscriber drops	1,614,923	1,481,956
Cellular network equipment	1,138,517	909,720
Network radio channels	720,111	532,479
Computer equipment and software	355,690	297,329
Converters and descramblers	148,124	114,983
Leasehold improvements	102,327	92,582
Other equipment	284,351	392,717
	4,727,058	4,193,073
Less accumulated depreciation and amortization	1,856,809	1,570,755
	$ 2,870,249	$ 2,622,318

The Company has a significant ongoing capital expenditure program for the expansion and improvement of its networks. The Company estimates that its capital expenditure program for 1997 will amount to approximately $950 million.

4. Investments

(In thousands of dollars)	1996	1995
(a) General Cable T.V. Limited ("General"), at cost	$ 300,000	$ 130,000
(b) Investments, at equity:		
Astral Communications Inc.	32,613	36,836
Canadian Satellite Communications Inc.	19,849	19,992
YTV Canada Inc.	-	6,614
Other	10,129	9,947
(c) Investments in Cogeco	49,800	–
(d) Other, at cost	16,661	21,158
	$ 429,052	$ 224,547

Further details of these investments are as follows:

a. In 1996, the Company invested cash of $170,000,000 in two convertible demand promissory notes of General, a company controlled by the controlling shareholder of the Company. The notes bear interest at the bank prime rate, payable monthly.

The Company also holds two additional convertible demand promissory notes of General. The first note, in the amount of $96,249,000, bears interest at a rate equal to 57.3066% of the bank prime

rate plus 1.7192%, payable monthly. The second note, in the amount of $33,751,000, bears interest at a rate equal to 91.6905% of the sum of the bank prime rate plus 0.5%, payable monthly.

The notes, which aggregate $300,000,000 (the "General Notes"), are convertible into preferred shares of General and have the same aggregate redemption value as the Company's Series XVI, XVII and XXV Preferred shares which are owned by an affiliated company of General (note 8). In 1996, the Company received interest of $13,879,000 from General (1995 – $15,735,000). These arrangements, which have the effect of transferring tax deductions for fair value, were reviewed and approved by an independent committee of the Board of Directors.

During 1995, the Company assigned a demand convertible promissory note in the amount of $150,000,000 owing by General to an affiliated company of General as consideration for the purchase for cancellation by the Company of 15,000,000 Series XIX Preferred shares which were owned by the affiliated company of General. The note was interest bearing at the bank prime rate, payable monthly.

b. During 1996, the Company sold its investment in YTV Canada Inc. for cash of $32,264,000. The Company recorded a gain on this sale of $25,002,000 before income taxes.

In January 1996, the Company sold its equity interest in Unitel Communications Holdings Inc. ("Unitel") for a nominal amount. In 1995, the Company recorded a loss of $53,618,000, representing the Company's share of Unitel's losses. The balance of the investment of $98,989,000 was written off in 1995.

During 1995, the Company sold its investment in Teleglobe Inc. for cash of $43,938,000. The Company recorded a gain on this sale before income taxes of $18,738,000. In addition, the Company wrote down certain other investments by $8,253,000 to reflect a reduction in market value.

c. As partial consideration for the sale of certain cable television systems during 1996 (note 2(b)(i)), the Company received notes receivable from Cogeco which have been discounted by the Company for accounting purposes to a carrying value of $32,522,000. The notes receivable have a face value of $36,476,000, are non-interest bearing and are due in two equal payments in each of 1997 and 1998. The Company will receive 1,921,368 subordinated voting shares of Cogeco valued at $17,278,000, or the cash equivalent, when the Canadian Radio-television and Telecommunications Commission ("CRTC") renders its decision with respect to the sale.

d. To December 31, 1995, the Company had invested $34,027,000 in a 10% ownership interest in Claircom Communications Group Inc. ("Claircom"), a company providing air-to-ground cellular services in North America. In 1995, the Company and the controlling shareholder of Claircom completed a review of the carrying value of the investment in Claircom and, as a result of this review, determined that the estimated future operating cash flows of Claircom were not expected to be sufficient to recover the carrying value of the Company's investment in Claircom. Accordingly, the Company wrote down its investment in Claircom to a nominal amount of $1,000.

e. Included in investments at December 31, 1996 are marketable securities with a carrying value of approximately $58,932,000 (1995 – $62,020,000) and a market value of approximately $60,361,000 (1995 – $57,247,000).

5. Deferred charges

(In thousands of dollars)	1996	1995
Financing costs	$ 99,048	$ 73,671
Subscriber telephone costs	95,796	54,078
Foreign exchange loss	91,666	136,765
CRTC commitments	19,988	23,243
Development and pre-operating costs	15,483	5,210
Other costs	10,194	4,533
	$ 332,175	$ 297,500

a. Amortization of deferred charges for 1996 amounted to $96,482,000 (1995 – $49,419,000). Of this amount, $63,718,000 (1995 – $13,644,000) relates to the amortization of subscriber telephone costs which has been included in operating expenses. Accumulated amortization as at December 31, 1996 amounted to $201,579,000 (1995 – $129,543,000).

b. In 1996, first generation digital telephones were written down by $16,723,000 to their net realizable value.

c. The Company repaid certain long-term debt during 1996 resulting in a loss of $95,966,000 including the write-off of deferred foreign exchange costs of $42,102,000 and deferred financing costs of $8,688,000.

6. Other assets

(In thousands of dollars)	1996	1995
Amounts receivable from employees under share purchase plans, including $3,964 from officers (1995 – $3,305)	$ 6,852	$ 16,904
Miscellaneous mortgages and loans receivable, including $977 from officers (1995 – $205)	6,205	4,334
Inventories	47,664	67,019
Videocassette inventory	34,807	25,181
Prepaid expenses	28,024	29,802
Brand licence cost	37,590	–
Acquired program rights	5,247	7,140
Pension benefits	18,178	17,916
Other assets	15,078	18,029
	$ 199,645	$ 186,325

In November 1996, the Company through its subsidiary, Rogers Cantel Inc. ("Cantel"), entered into a brand licence agreement with AT&T Canada Inc. ("AT&T") providing Cantel with, among other things, the right to use the AT&T brand names. As consideration for entering into this agreement, Cantel issued warrants with a value of $32,500,000 to AT&T which entitle AT&T to acquire 1,043,171 Class B Subordinated Voting shares of Cantel. As a result, the Company recorded a gain in the amount of $27,605,000 on the issue of warrants by Cantel.

The costs relating to this brand licence agreement amounting to $37,800,000 have been deferred and are being amortized on a straight line basis over the fifteen year term of the brand licence agreement. In 1996, the amortization of this brand licence cost was $210,000. The brand licence agreement also requires Cantel to make certain annual royalty payments over the term of the agreement.

7. Long-term debt

(In thousands of dollars)	Interest Rate	1996	1995
(a) Corporate:			
Senior Debentures due 2004	10⅞%	$ 323,797	$ 323,136
Convertible Senior Debentures due 2005	5¾%	228,537	221,132
Senior Notes due 2006	9⅛%	136,960	–
Senior Notes due 2006	10½%	75,000	–
Liquid Yield Option Notes due 2013	5½%	175,110	165,324
Convertible Subordinated Debentures due 1999	7½%	199,993	199,993
(b) Wireless Communications:			
Bank loan	Floating	172,000	161,500
Senior Secured Notes due 2006	10½%	160,000	–
Senior Secured Debentures due 2008	9⅜%	637,538	–
Senior Secured Debentures due 2016	9¾%	239,680	–
Senior Secured Guaranteed Notes	10¾%	–	568,728
Senior Subordinated Guaranteed Notes due 2002	11⅛%	273,920	273,040
(c) Cable Television:			
Bank loan	Floating	–	–
Senior Secured Second Priority Notes due 2002	9⅝%	310,340	310,010
Senior Secured Second Priority Notes due 2005	10%	630,470	629,957
Senior Secured Second Priority Debentures due 2007	10%	205,440	204,780
Senior Secured Second Priority Debentures due 2012	10⅛%	273,920	273,040
Senior Secured Second Priority Debentures due 2014	9.65%	300,000	300,000
Senior Secured Notes	9.28%/9.60%	–	201,178
Senior Subordinated Notes due [illegible]00	11.09%	294,854	294,854
Senior Subordinated Guaranteed Debentures due 2015	11%	171,200	170,650
(d) Multi-Media:			
Bank loan	Floating	74,000	53,000
(e) Other	Various	39,957	10,148
		$ 4,922,716	$ 4,360,470

Further details of long-term debt are as follows:

a. Corporate

i. Senior Debentures due 2004

The Company's US$250,000,000 Senior Debentures (the "Senior Debentures") mature on April 15, 2004. The Senior Debentures are redeemable at the option of the Company, in whole or in part, at any time on or after April 15, 1997, at 104.61% of the principal amount, declining ratably to 100% of the principal amount on or after April 15, 1999, plus in each case, interest accrued to the date of redemption. Interest is payable semi-annually. The Senior Debentures are senior unsecured general obligations of the Company ranking equally with other senior unsecured obligations of the Company.

ii. Convertible Senior Debentures due 2005

The Company's US$225,000,000 Convertible Debentures (the "Convertible Debentures"), which mature on November 26, 2005, are senior unsecured general obligations of the Company ranking equally with the other senior unsecured indebtedness of the Company. A portion of the interest equal to approximately 2.95% per annum on the issue price (or 2% per annum on the stated amount at maturity) is payable in cash semi-annually while the balance of the interest will accrue so long as the Convertible Debentures remain outstanding. Each Convertible Debenture has a face value of US$1,000 and is convertible, at the option of the holder at any time, on or prior to maturity, into 34.368 Class B Non-Voting shares. This conversion rate equates to an initial conversion price of $26.10 per share. The Convertible Debentures are redeemable in cash, at the option of the Company, on or after November 26, 1998.

iii. Senior Notes due 2006

The Company's US$100,000,000 Senior Notes mature on January 15, 2006. These Senior Notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2001, at 104.563% of the principal amount, declining ratably to 100% of the principal amount on or after January 15, 2004. Interest is payable semi-annually. These Senior Notes are senior unsecured general obligations of the Company ranking equally with other senior obligations of the Company.

iv. Senior Notes due 2006

The Company's $75,000,000 Senior Notes mature on February 14, 2006. Interest is payable semi-annually. These Senior Notes are senior unsecured general obligations of the Company ranking equally with other senior unsecured obligations of the Company.

v. Liquid Yield Option Notes due 2013

The Company's US$311,000,000 Liquid Yield Option Notes ("LYONs") due 2013 are senior unsecured general obligations of the Company ranking equally with the other senior unsecured indebtedness of the Company. The LYONs are zero coupon convertible debentures that have a yield to maturity of 5½% per annum, compounded semi-annually. The LYONs are convertible into Class B Non-Voting shares at any time and had an initial conversion price of $20.80 per share. Each LYON has a face value of US$1,000 and is convertible, at the option of the holder, at any time prior to maturity into 20.675 Class B Non-Voting shares.

The LYONs are required to be purchased by the Company, at the option of the holder, on June 21, 1998, May 20, 2003 and May 20, 2008 for a purchase price per LYON of US$445.28, US$581.33 and US$762.51, respectively, which at the option of the Company can be satisfied in either cash or Class B Non-Voting shares. The LYONs are redeemable in cash, at the option of the Company, on or after May 20, 1998.

vi. Convertible Subordinated Debentures due 1999

The Convertible Subordinated Debentures are unsecured, are due September 1, 1999, and are convertible at the option of the holder at any time prior to August 31, 1999 into Class B Non-Voting shares of the Company at a conversion price of $20.71 per Class B Non-Voting share. These debentures are redeemable in cash at the option of the Company at any time. Interest is payable semi-annually.

b. Wireless Communications

i. Bank loan

At December 31, 1996, Cantel had a credit facility of $500,000,000, of which $172,000,000 was outstanding (1995 – $161,500,000). In February 1997, Cantel revised and increased the credit facility to provide for a total credit facility of $700,000,000.

Under the revised facility, Cantel can borrow under various rates, including the bank prime rate to the bank prime rate plus 3/4% per annum, the bankers' acceptance rate plus 3/4% to 1½% per annum and the London Interbank Offered Rate ("LIBOR") plus 3/4% to 1½% per annum. Access to the credit facility is based on certain debt incurrence and maintenance tests, the most restrictive of which relate to a debt to operating cash flow ratio.

This credit facility is available on a fully revolving basis until the first date specified below at which time the facility becomes a revolving/reducing facility and the aggregate amount of credit available under this credit facility will be reduced as follows:

Date of reduction	Reduction at each date
On January 1:	(In thousands of dollars)
2001	$ 105,000
2002	140,000
2003	140,000
2004	140,000
2005	175,000

The credit facility requires that any additional senior debt (other than the bank loan described above) that is denominated in a foreign currency be hedged against foreign exchange fluctuations on a minimum of 50% of such additional senior borrowings in excess of the Canadian equivalent of US$25,000,000.

Borrowings under the credit facility are secured by the pledge of a senior bond issued under a deed of trust which is secured by substantially all the assets of Cantel and certain of its subsidiary companies, subject to certain exceptions and prior liens.

ii. Senior Secured Notes due 2006

Cantel's $160,000,000 Senior Secured Notes (the "2006 Notes") mature on June 1, 2006. The 2006 Notes are redeemable at Cantel's option in whole or in part at any time subject to a certain prepayment premium. Interest is payable semi-annually.

iii. Senior Secured Debentures due 2008

Cantel's US$510,000,000 Senior Secured Debentures (the "2008 Debentures") mature on June 1, 2008. The 2008 Debentures are redeemable at Cantel's option, in whole or in part, at any time on or after June 1, 2003, at 104.688% of the principal amount, declining ratably to 100% of the principal amount on or after June 1, 2006, plus in each case, interest accrued to the redemption date. Interest is payable semi-annually.

iv. Senior Secured Debentures due 2016

Cantel's US$175,000,000 Senior Secured Debentures (the "2016 Debentures") mature on June 1, 2016. The 2016 Debentures are redeemable at Cantel's option, in whole or in part, at any time subject to a certain prepayment premium. Interest is payable semi-annually.

v. Senior Secured Guaranteed Notes

Cantel's US$460,000,000 Senior Secured Guaranteed Notes were repaid during the year. As a result, Cantel paid a premium on redemption of $30,529,000 and wrote-off deferred financing costs of $6,894,000 and deferred foreign exchange of $27,141,000 relating to these Senior Notes, resulting in a net loss on repayment of $64,564,000.

Each of Cantel's senior secured notes and debentures described above are secured by the pledge of a senior bond which is secured by the same security as the security for the bank credit facility described in note 7(b)(i) above and ranks equally with the bank credit facility.

vi. Senior Subordinated Guaranteed Notes due 2002

Cantel's US$200,000,000 Senior Subordinated Guaranteed Notes (the "Subordinated Notes") mature on July 15, 2002. Interest is payable semi-annually. The Subordinated Notes are redeemable at the option of Cantel, in whole or in part, at any time on or after July 15, 1997, at 103.3% of the principal amount, declining ratably to 100% of the principal amount on or after July 15, 1999, plus in each case, interest accrued to the date of redemption. The Subordinated Notes are subordinated to all existing and future senior secured obligations of Cantel (including the bank loan, the senior notes and senior debentures). The Subordinated Notes are not secured by the pledge of a senior bond.

c. Cable Television

i. Bank loan

In 1996, Rogers Cablesystems Limited ("Cablesystems") entered into an amended and restated loan agreement with a number of banks providing for two separate credit facilities: (a) up to $600 million senior secured revolving reducing credit facility (the "Tranche A Credit Facility") and (b) up to $5 million senior secured revolving credit facility (the "Tranche B Credit Facility" and, together with the Tranche A Credit Facility, the "Bank Facilities").

No amounts were outstanding under the Bank Facilities at December 31, 1996 and 1995. The Bank Facilities require, among other things, that Cablesystems satisfy certain financial covenants, including the maintenance of certain financial ratios. The interest rates charged on the Bank Facilities are determined based upon a defined financial ratio and range from nil to 1⅞% per annum over the bank prime rate or base rate or ¾% to 2⅝% per annum over the bankers' acceptance rate or LIBOR.

The Bank Facilities are secured by the pledge of a senior bond issued under a deed of trust which is secured by fixed and floating charges securing substantially all of the assets of Cablesystems and the majority of Cablesystems' wholly-owned subsidiary companies, subject to certain exceptions and prior liens. In addition, under the terms of an inter-creditor agreement, the proceeds of any enforcement of the security under the deed of trust will be applied first to repay any obligations outstanding under the Tranche A Credit Facility. Additional proceeds will be applied pro rata to repay all other obligations of Cablesystems secured by senior bonds, including the Tranche B Credit Facility.

The Bank Facilities are available on a fully revolving basis until January 1, 2000 at which time each will be converted to a reducing/revolving facility and the aggregate amount of credit available under the Bank Facilities will be reduced as follows:

Date of reduction	Percentage reduction at each date
On January 1:	
2000	4.9%
2001	10.0%
2002	10.0%
2003	20.1%
2004	25.0%

ii. Senior Secured Second Priority Notes due 2002

Cablesystems' US$250,000,000 Senior Secured Second Priority Notes mature on August 1, 2002.

iii. Senior Secured Second Priority Notes due 2005

Cablesystems' US$450,000,000 Senior Secured Second Priority Notes mature on March 15, 2005.

iv. Senior Secured Second Priority Debentures due 2007

Cablesystems' US$150,000,000 Senior Secured Second Priority Debentures mature on December 1, 2007. The debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after December 1, 2002, at 105% of the principal amount thereof, declining ratably to 100% of the principal amount thereof on or after December 31, 2005, plus in each case interest accrued to the redemption date.

v. Senior Secured Second Priority Debentures due 2012

Cablesystems' US$200,000,000 Senior Secured Second Priority Debentures mature on September 1, 2012. The debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after September 1, 2002, at 104% of the principal amount, declining ratably to 100% of the principal amount on or after September 1, 2006, plus in each case interest accrued to the date of redemption.

vi. Senior Secured Second Priority Debentures due 2014

Cablesystems' $300,000,000 Senior Secured Second Priority Debentures mature on January 15, 2014. The debentures are redeemable at the option of Cablesystems, in whole or in part, at any time on or after January 15, 2004, at 104.825% of the principal amount, declining ratably to 100% of the principal amount on or after January 15, 2008, plus in each case interest accrued to the date of redemption.

vii. Senior Secured Notes

Cablesystems' Senior Secured Notes which consisted of US$74,000,000 of 9.28% Series A Senior Secured Notes and US$81,000,000 of 9.60% Series B Senior Secured Notes were repaid in 1996. As a result, Cablesystems paid $14,647,000 representing a prepayment premium net of a gain from unwinding certain related cross-currency interest rate exchange agreements and wrote-off deferred financing costs of $1,794,000 and deferred foreign exchange of $14,961,000 relating to these Senior Secured Notes, resulting in a net loss on repayment of $31,402,000.

Each of Cablesystems' senior secured notes and debentures described above are secured by the pledge of a senior bond which is secured by the same security as the security for Cablesystems' Bank Facilities described in note 7(c)(i) above and rank equally in regard to the proceeds of any enforcement of security with Cablesystems' Tranche B Credit Facility.

viii. Senior Subordinated Notes due 2000

Cablesystems' US$250,000,000 Senior Subordinated Notes are unsecured and subordinated in right of payment to senior indebtedness of Cablesystems including bank indebtedness. Cablesystems is required to redeem US$50,000,000 of the notes on each of June 1, 1997, 1998 and 1999, with the balance due June 1, 2000. In addition, Cablesystems has the option to prepay the notes in whole or in part, subject to a certain prepayment premium.

ix. Senior Subordinated Guaranteed Debentures due 2015

Cablesystems' US$125,000,000 Senior Subordinated Guaranteed Debentures are unsecured and mature on December 1, 2015. The subordinated debentures are redeemable at the option of Cablesystems, in whole or in part, at any time, on or after December 1, 2005, at 105.5% of the principal amount thereof, declining ratably to 100% of the principal amount on or after December 1, 2009 plus, in each case, interest accrued to the redemption date. The Senior Subordinated Guaranteed Debentures are subordinated in right of payment to senior indebtedness of Cablesystems, including bank indebtedness.

Cablesystems' subordinated notes and subordinated debentures are not secured by the pledge of a senior bond.

Interest is payable semi-annually on all of the senior secured notes and debentures and senior subordinated notes and debentures.

d. Multi-Media

Bank loan

In January 1996, Rogers Multi-Media Inc. ("Multi-Media") entered into a revolving bank credit facility with a consortium of banks which provides for aggregate credit facilities of up to $175,000,000, maturing on December 31, 2002. At December 31, 1996, Multi-Media had $74,000,000 outstanding.

Borrowings are available under two options, including the bank prime rate to the bank prime rate plus 1% per annum and the bankers' acceptance rate plus 7⁄8% per annum to 1 7⁄8% per annum. Access to the credit facilities is based on certain debt maintenance tests.

The credit facilities are secured by floating charge debentures over most of the assets of Multi-Media, subject to certain exceptions.

The loan is a revolving/reducing facility subject to the following reduction schedule:

Date of reduction	Percentage reduction at each date
On December 31:	
1998	15%
1999	20%
2000	20%
2001	20%
2002	25%

e. Interest exchange agreements

i. The Company has entered into a number of cross-currency interest rate exchange agreements in order to reduce the Company's exposure to changes in the exchange rate of the U.S. dollar as compared to the Canadian dollar. Total U.S. dollar denominated long-term debt at December 31, 1996 amounted to US$2,956,700,000, of which US$1,243,437,000 or 42.1% is hedged through cross-currency interest rate exchange agreements. The effect of these agreements is to convert the obligation to service U.S. dollar denominated debt in the amount of US$1,243,437,000, into Canadian dollar denominated debt at an average exchange rate of 1.2530 Canadian dollars to US$1.00.

ii. In addition, these agreements have the effect of converting the interest rate on US$910,000,000 of long-term debt from an average fixed interest rate of 10.06% per annum to a weighted average

floating interest rate equal to the bankers' acceptance rate plus 3.224% per annum. While this has the effect of converting $1,087,168,000 of fixed rate debt to floating rate debt, the Company has entered into a number of interest exchange agreements ranging in reference interest rates of 9.26% to 12.39% per annum and in maturity dates to August 2001. These interest exchange agreements have the effect of converting $610,000,000 of floating rate obligations of the Company to fixed interest rates within the range specified above plus the Company's cost of money in excess of money market rates. For the remaining US$333,437,000 of the cross-currency interest rate exchange agreements, the U.S. dollar fixed interest rate has been converted to a weighted average Canadian dollar fixed interest rate of 11.68% per annum. The total long-term debt at fixed interest rates at December 31, 1996 was $4,196,800,000 or 85.3% of total long-term debt.

The Company's effective weighted average interest rate on all long-term debt as at December 31, 1996, including the effect of the interest exchange agreements and cross-currency interest rate exchange agreements, was 9.58% (1995 – 10.34%).

The obligations under these interest exchange agreements and US$1,143,437,000 of the cross-currency interest rate exchange agreements are secured by substantially all of the assets of the respective subsidiary companies to which they relate and generally rank equally with the other secured indebtedness of such subsidiary companies.

f. Principal repayments

As at December 31, 1996, principal repayments due within each of the next five years on all long-term debt are as follows:

(In thousands of dollars)	
1997	$ 64,612
1998	59,157
1999	264,121
2000	121,614
2001	31,477
	540,981
Thereafter	4,381,735
	$ 4,922,716

The provisions of the long-term debt agreements described above impose, in most instances, restrictions on the operations and activities of the companies governed by these agreements. Generally, the most significant of these restrictions are debt incurrence and maintenance tests, restrictions upon additional investments, sales of assets and payment of dividends. In addition, the repayment dates of certain debt agreements accelerate if there is a change in control of the respective companies.

8. Capital stock

Rights and conditions

Preferred shares

There are 400,000,000 authorized preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the Board of Directors prior to the issue of such series.

The Series XV Preferred shares were non-voting, cumulative, taxable preferred shares and were redeemable at $1,000,000 per share. These shares were purchased for cancellation by the Company in 1996.

The Series XVI Preferred shares are non-voting, are redeemable at $10 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to the sum of 1½% plus 50% of the bank prime rate per annum applied to the redemption value.

The Series XVII Preferred shares are non-voting, are redeemable at $10 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to 80% of the sum of the bank prime rate plus ½% per annum applied to the redemption value.

The Series XIX Preferred shares were non-voting, cumulative and were redeemable at $10 per share. These shares were purchased for cancellation by the Company in 1995.

The Series XX Preferred shares are non-voting, are redeemable at $20 per share after December 31, 1997 at the option of the Company, carry the right to cumulative preferential dividends at a rate equal to 5% per annum and are convertible into Class B Non-Voting shares at $24.75 per share. In addition, the Company must redeem the Series XX Preferred shares on June 30, 2004 at $20 per share in either cash or Class B Non-Voting shares.

The Series XXII Preferred shares were non-voting, cumulative and were redeemable at $1,000 per share. These shares were purchased for cancellation by the Company in 1996.

The Series XXIII Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to the bank prime rate plus 1¾% per annum applied to the redemption value.

The Series XXV Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate equal to 87.25% of the bank prime rate per annum applied to the redemption value.

The Series XXVI Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate of 11⅛% per annum.

The Series XXVII Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate of the bank prime rate plus 1¾% per annum.

The Series XXVIII Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative preferential dividends at a rate of 11⅛% per annum.

The Series XXII, XXIII, XXVI, XXVII and XXVIII Preferred shares are or were held by subsidiaries of the Company. The Series XVI, XVII, XX and XXV Preferred shares are held by companies controlled by the controlling shareholder of the Company. The Company has agreed that, among other things, the Company may satisfy the redemption price for the Series XVI, XVII and XXV Preferred shares by delivering promissory notes of General having an equivalent value to the Preferred shares of the Company to be redeemed.

The Series B, C and E Convertible Preferred shares are non-voting and are redeemable and retractable under certain conditions. All of these shares are convertible at the option of the holder up to the mandatory date of redemption into Class B Non-Voting shares of the Company at a conversion rate equal to one Class B Non-Voting share for each share to be converted. These shares are entitled to receive, ratably with holders of the Class B Non-Voting shares, cash dividends per share in an amount equal to the cash dividends declared and paid per share on Class B Non-Voting shares.

Common shares

There are 200,000,000 authorized Class A Voting shares without par value. The Class A Voting shares may receive a dividend at an annual rate of up to $0.05 per share only after the Class B Non-Voting shares have been paid a dividend at an annual rate of $0.05 per share. The Class A Voting shares are convertible on a one-for-one basis into Class B Non-Voting shares.

There are 1,400,000,000 authorized Class B Non-Voting shares with a par value of $1.62478 per share. The Class A Voting and Class B Non-Voting shares will share equally in dividends after payment of a dividend of $0.05 per share for each class.

Issued, at stated value

	(In thousands of dollars)	1996	1995
nil	Series XV Preferred shares (1995 – 90 shares)	$ -	$ 90,000
9,624,866	Series XVI Preferred shares	96,249	96,249
3,375,134	Series XVII Preferred shares	33,751	33,751
13,500,000	Series XX Preferred shares	270,000	270,000
nil	Series XXII Preferred shares (1995 – 505,000 shares)	-	505,000
105,500	Series XXIII Preferred shares (1995 – 170,500 shares)	105,500	170,500
170,000	Series XXV Preferred shares	170,000	–
253,500	Series XXVI Preferred shares	253,500	–
150,000	Series XXVII Preferred shares	150,000	–
300,000	Series XXVIII Preferred shares	300,000	–
400,436	Series B Convertible Preferred shares (1995 – 503,983 shares)	5,046	6,350
51,369	Series C Convertible Preferred shares (1995 – 53,635 shares)	658	688
291,095	Series E Convertible Preferred shares (1995 – 343,017 shares)	4,978	5,866
56,240,494	Class A Voting shares	72,320	72,320
232,304,196	Class B Non-Voting shares (1995 – 231,993,487 shares) of which 110,340,680 are held by subsidiary companies	377,443	376,938
		1,839,445	1,627,662
	Deduct:		
	Amounts receivable from employees under certain share purchase plans, including $2,594 from officers (1995 – $3,289)	10,072	9,273
	The cost of Class B Non-Voting shares of the Company held by subsidiary companies	453,800	453,800
	The Series XXII. XXIII, XXVI, XXVII and XXVIII Preferred shares of the Company held by subsidiary companies	809,000	675,500
		$ 566,573	$ 489,089

not pfd

a. At December 31, 1996, there were options outstanding to employees and directors of the Company to purchase 4,236,688 Class B Non-Voting shares at prices ranging from $8.31 to $19.375 per share. These options expire at varying dates from 2004 to 2006.

b. During 1996, the Company completed the following capital stock transactions:

i. 90 Series XV Preferred shares were purchased for cancellation for $90,000,000;

ii. 505,000 Series XXII Preferred shares were purchased from subsidiary companies for cancellation for $505,000,000;

iii. 60,000 Series XXIII Preferred shares were issued to a subsidiary company for $60,000,000 and 125,000 shares were purchased from a subsidiary company for cancellation for $125,000,000;

iv. 350,000 Series XXIV Preferred shares were issued to subsidiary companies and were subse-

v. 170,000 Series XXV Preferred shares were issued to a company controlled by the controlling shareholder of the Company for $170,000,000;

vi. 253,500 Series XXVI Preferred shares were issued to a subsidiary company for $253,500,000;

vii. 150,000 Series XXVII Preferred shares were issued to a subsidiary company for $150,000,000;

viii. 300,000 Series XXVIII Preferred shares were issued to a subsidiary company for $300,000,000;

ix. 30,340 Series B, 2,266 Series C and 3,482 Series E Convertible Preferred shares were converted to 36,088 Class B Non-Voting shares with a value of $471,000;

x. 13,279 Series B and 8,125 Series E Convertible Preferred shares were redeemed for $306,000;

xi. 59,928 Series B and 40,315 Series E Convertible Preferred shares held by trustees of the Company's share purchase plans and relating to former employees of the Company were cancelled. The capital stock account has been reduced by $755,000 and $689,000, respectively; and

xii. 274,621 Class B Non-Voting shares with a value of $3,789,000 were issued in connection with the purchase of a video chain operation.

As a result of the above transactions, $3,764,000 of the issued amounts related to the Class B Non-Voting shares was recorded in contributed surplus.

c. During 1995, the Company completed the following capital stock transactions:

i. 23 Series XV Preferred shares were redeemed for $23,228,000 in cash;

ii. All of the issued and outstanding Series XIX Preferred shares owned by a company controlled by the controlling shareholder of the Company were purchased for cancellation for $150,000,000. Consideration for the purchase was the assignment to an affiliated company of General of a promissory note in the amount of $150,000,000 which was owed to the Company by General;

iii. 170,500 Series XXI Preferred shares and 505,000 Series XXII Preferred shares were issued to subsidiary companies for $170,500,000 and $505,000,000, respectively. These shares were issued in connection with transactions that have the effect of transferring tax losses to the subsidiary companies. The Series XXI Preferred shares were subsequently exchanged for 170,500 Series XXIII Preferred shares;

iv. 39,072 Series B, 1,570 Series C, 2,387 Series D and 7,185 Series E Convertible Preferred shares were converted to 50,214 Class B Non-Voting shares with a value of $674,000;

v. 82,657 Series B, 13,824 Series C, 66,826 Series D and 69,128 Series E Convertible Preferred shares held by trustees of the Company's share purchase plans and relating to former employees of the Company were cancelled. The capital stock account has been reduced by $1,042,000, $177,000, $1,067,000 and $1,182,000, respectively;

vi. 669,843 Class B Non-Voting shares were issued to employees upon the exercise of options for cash of $4,102,000; and

vii. 309,750 Class B Non-Voting shares were issued to employees pursuant to Employee Share Purchase Plans for cash of $4,104,000.

As a result of the above transactions, $7,207,000 of the issued amounts related to the Class B Non-Voting shares was recorded in contributed surplus.

d. The Articles of Continuance of the Company under the Company Act (British Columbia) impose restrictions on the transfer, voting and issue of the Class A Voting and Class B Non-Voting shares in order to ensure that the Company remains qualified to hold or obtain licences required to carry on certain of its business undertakings in Canada.

The Company is authorized to refuse to register transfers of any shares of the Company to any person who is not a Canadian in order to ensure that the Company remains qualified to hold the licences referred to above.

9. Restructuring charges

a. During 1996, Cable Television implemented a plan to restructure and rationalize certain of its operations. Cable Television has recorded a provision of $67,378,800 for this restructuring, which includes amounts principally for severance costs and the rationalization of real estate, facilities, fleet management and community programming. Cable Television estimates that these initiatives will be completed in 1997. At December 31, 1996, the remaining provision for restructuring amounted to $60,878,000.

b. In 1996, Wireless Communications wrote down first generation digital telephones by $16,723,000 to their net realizable value and provided $3,600,000 for exit costs related to the closure of corporate store operations.

10. Income taxes

Total income tax expense varies from the amounts that would be computed by applying the effective income tax rate to the loss before income taxes and discontinued operations for the following reasons:

(In thousands of dollars)	1996	1995
Effective income tax rate	**44.5%**	44.0%
Effective income tax recovery on the loss before income taxes and discontinued operations	**$(134,408)**	$(132,095)
Increase (decrease) results from:		
Effect of losses of subsidiaries, the tax effect of which has not been recorded	**15,884**	7,345
Utilization of losses carried forward not previously recorded	**(16,059)**	(5,886)
Large corporations tax	**8,962**	8,849
Non-deductible depreciation and amortization	**22,034**	22,803
Non-deductible long-term debt repayment costs	**14,504**	–
Assets disposed of on sale of cable television systems not recognized for tax purposes	**41,246**	–
Share of losses of associated companies, net	**724**	21,700
Non-deductible write-down of investments	**-**	62,157
Other items	**2,685**	5,083

As at December 31, 1996, the Company has approximately the following amounts available to reduce future years' income for income tax purposes, the tax effect of which has not been recorded in the accounts:

(In thousands of dollars)	
Income tax losses expiring in the year ending December 31:	
1997	$ 24,200
1998	65,000
1999	126,400
2000	78,200
2001	113,000
2002	100,000
2003	7,800
	514,600
Less depreciation and other expenditures claimed for income tax purposes in excess of amounts recorded for accounting purposes	22,600
	$ 492,000

In addition to the above, the Company has approximately $400,000,000 of capital losses available to reduce future years' capital gains. These tax losses have an indefinite carryforward period. The tax effect of these losses has not been recorded in the accounts.

11. Loss per share

Loss per share amounts have been calculated based on the weighted average number of Class A Voting and Class B Non-Voting shares outstanding during the year after giving effect to the ownership of the Company's Class B Non-Voting shares by subsidiary companies and after deducting dividends on the preferred shares.

12. Pensions

The Company maintains both contributory and non-contributory pension plans which cover most of its employees. The plans provide pensions based on years of service, years of contributions and annual earnings.

Actuarial estimates prepared as at December 31, 1996 and 1995 were based on projections of employees' compensation levels to the time of retirement and indicate the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market, are as follows:

(In thousands of dollars)	1996	1995
Pension fund assets	$ 279,046	$ 283,102
Accrued pension benefits	178,978	198,980

Pension expense for 1996 amounted to $907,000 (1995 – $373,000).

13. Segmented information

The Company operates Cable Television systems, Wireless Communications systems and a Multi-Media group which includes radio and television broadcasting and the publication of magazines. All of these operations are substantially in Canada. Information by industry segment is as follows:

December 31, 1996 (In thousands of dollars)	Cable Television	Wireless Communications	Multi-Media	Corporate items and eliminations	Consolidated totals
Revenue	$ 992,271	$ 1,102,854	$ 387,828	$ -	$ 2,482,953
Operating, general and administrative expenses	655,436	751,709	352,766	18,748	1,778,659
Operating income (loss) before the undernoted	336,835	351,145	35,062	(18,748)	704,294
Restructuring charges	67,378	20,323	-	-	87,701
Depreciation and amortization	215,736	214,823	16,874	7,491	454,924
Operating income (loss)	$ 53,721	$ 115,999	$ 18,188	$ (26,239)	161,669
Interest expense					(470,825)
Other items, net					(13,642)
Income tax recovery					44,428
Loss for the year					$ (278,370)
Capital expenditures	$ 378,475	$ 553,826	$ 12,797	$ -	$ 945,098
Identifiable assets	$ 2,924,745	$ 2,298,678	$ 341,296	$ 449,596	$ 6,014,315

December 31, 1995 (In thousands of dollars)	Cable Television	Wireless Communications	Multi-Media	Corporate items and eliminations	Consolidated totals
Revenue	$ 929,389	$ 899,521	$ 367,133	$ –	$ 2,196,043
Operating, general and administrative expenses	577,565	583,879	333,716	22,536	1,517,696
Operating income (loss) before depreciation and amortization	351,824	315,642	33,417	(22,536)	678,347
Depreciation and amortization	167,179	208,440	13,718	6,692	396,029
Operating income (loss)	$ 184,645	$ 107,202	$ 19,699	$ (29,228)	282,318
Interest expense					(428,595)
Other items, net					(147,124)
Income tax recovery					10,044
Loss for the year					$ (283,357)
Capital expenditures	$ 382,805	$ 185,550	$ 9,794	$ 1,543	$ 579,692
Identifiable assets	$ 2,706,434	$ 1,835,006	$ 752.532	$ 494,989	$ 5,788,961

14. Financial instruments

a. Fair values

The Company has determined the fair value of its financial instruments as follows:

i. Cash and short-term deposits, accounts receivable, accounts receivable from employees under share purchase plans, miscellaneous mortgages and loans receivable, bank advances and accounts payable and accrued liabilities:
The carrying amount in the consolidated balance sheet approximates fair value because of the short-term nature of these instruments.

ii. Portfolio investments:
The fair value of portfolio investments, which approximates their carrying value, is determined by the closing market values for each of the investments.

iii. Other investments:
The fair value of other investments, including the investments in General and Cogeco, approximates their carrying amount.

iv. Long-term debt:
The fair value of each of the Company's long-term debt instruments is based on the current trading values, where available, or where not available, with reference to similarly traded instruments with similar features.

v. Interest exchange agreements:
The fair value of the Company's interest exchange agreements and cross-currency interest rate exchange agreements are based on values quoted by the counterparties to the agreements.

The estimated fair values of the Company's long-term debt and related interest exchange agreements as at December 31, 1996 and 1995 are as follows:

(In thousands of dollars)	1996		1995	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt	$ 5,067,733	$ 5,192,450	$ 4,510,445	$ 4,593,858
Interest exchange agreements:				
Interest exchange agreements	–	88,387	–	86,275
Cross-currency interest rate exchange agreements	(145,017)	(118,015)	(149,975)	(217,213)
	$ 4,922,716	$ 5,162,822	$ 4,360,470	$ 4,462,920

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

b. Other disclosures

i. The credit risk of the interest exchange agreements and cross-currency interest rate exchange agreements arises from the possibility that the counterparties to the agreements may default on their obligations under the agreements in instances where the agreements have positive fair value to the Company. The Company assesses the credit worthiness of the counterparties in order to minimize the risk of counterparty default under the agreements. All of the portfolio is held by financial institutions with a Standard & Poors rating (or the equivalent) in the AA range.

ii. The Company does not require collateral or other security to support the credit risk associated with the interest exchange agreements and cross-currency interest rate exchange agreements due to the Company's assessment of the credit worthiness of the counterparties.

iii. The maximum accounting loss that the Company would incur if the counterparties to the cross-currency interest rate exchange agreements failed completely to perform according to the terms of the agreements is approximately $233,404,000 at December 31, 1996.

iv. The Company does not have significant concentrations of credit risk.

15. Commitments

The future minimum lease payments under operating leases for the rental of premises, distribution facilities, equipment and microwave towers at December 31, 1996 are as follows:

(In thousands of dollars)	
Year ending December 31:	
1997	$ 110,028
1998	103,129
1999	100,019
2000	82,024
2001	77,858
2002 and thereafter	128,976
	$ 602,034

Rent expense for 1996 amounted to $98,250,000 (1995 – $76,825,000).

16. Contingent liabilities

There exist certain legal actions against the Company, none of which is expected to have a material adverse effect on the consolidated financial position of the Company.

17. Canadian and United States accounting policy differences

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied in Canada. In the following respects, GAAP as applied in the United States differs from that applied in Canada.

If United States GAAP were employed, the loss in each year would be adjusted as follows:

(In thousands of dollars, except per share amounts)	1996	1995
Loss for the year based on Canadian GAAP	$(278,370)	$ (283,357)
Amortization of intangible assets (a)	(11,610)	(17,524)
Share of losses of associated companies (b)	-	17,333
Foreign exchange gain (c)	2,997	60,596
Gain on sale of cable television systems (d)	(56,685)	(5,071)
Loss on early repayment of long-term debt (e)	42,102	–
Other	(9,981)	(1,838)
Income tax effect of adjustments	23,218	1,750
Loss for the year based on United States GAAP	$(288,329)	$ (228,111)

Comprised of the following:		
Loss before discontinued operations and extraordinary items	$(224,996)	$(234,926)
Income (loss) from discontinued operations	(20,758)	6,815
Extraordinary items (e)	(42,575)	–
	$(288,329)	$ (228,111)

Basic loss per share based on United States GAAP:		
Before discontinued operations and extraordinary items	$ (1.42)	$ (1.50)
Before extraordinary items	(1.53)	(1.46)
After extraordinary items	(1.77)	(1.46)

The cumulative effect of these adjustments on the consolidated shareholders' equity (deficiency) of the Company is as follows:

(In thousands of dollars)	1996	1995
Shareholders' equity based on Canadian GAAP	$ 45,440	$ 269,957
Amortization of intangible assets (a)	(143,131)	(131,521)
Foreign exchange loss (c)	(91,666)	(136,765)
Gain on sale of cable television systems (d)	92,395	129,518
Capital stock (f)	(6,852)	(16,904)
Preferred shares (g)	(270,000)	(270,000)
Other	(27,790)	(22,347)
Shareholders' deficiency based on United States GAAP	$(401,604)	$(178,062)

The areas of material difference between Canadian and United States GAAP and their impact on the consolidated financial statements of the Company are described below:

a. Amortization of intangible assets

Under Canadian GAAP, the Company is amortizing the cost of subscribers and licences using an increasing charge method over forty years. Under United States GAAP, the Company is amortizing the cost of subscribers over forty years on a straight line basis.

This difference in amortization policy results in a gain on sale of cable television systems in 1996 under United States GAAP which is higher than the gain on sale under Canadian GAAP by $5,500,000.

b. Share of losses of associated companies

The difference between Canadian and United States GAAP with respect to the share of losses of associated companies related to pension costs.

c. Foreign exchange

United States GAAP requires that gains and losses on foreign exchange resulting from the translation of long-term debt denominated in United States dollars be charged to income and expense when incurred. Canadian GAAP requires the amortization of foreign exchange gains or losses over the remaining life of the long-term debt.

d. Gain on sale of cable television systems

Under Canadian GAAP, the after-tax gain amounting to $132,839,000 arising on the sale in 1994 of the Company's Calgary and Victoria cable television systems was recorded in 1994 as a reduction of the carrying value of subscribers arising on the acquisition of the cable television systems from Maclean Hunter Limited and Shaw. Under United States GAAP, the Company included the gain on sale of the cable television systems in income for 1994 in the amount of $202,839,000. Deferred income taxes related to this gain amounted to $70,000,000.

As a result of the sale of cable television systems during 1996, this reduction to the carrying value of subscribers has resulted in a gain on sale of cable television systems under Canadian GAAP which is higher than the gain on sale under United States GAAP by $51,722,000, before income taxes of $17,849,000.

Amortization expense for 1996 and 1995 under United States GAAP has been increased by $4,963,000 and $5,071,000, respectively, representing the additional amortization of subscribers arising under United States GAAP as a result of the adjustment to the value of subscribers upon recognition of the after-tax gain in income in 1994. Deferred income taxes related to this amortization expense amounted to $1,713,000 and $1,750,000, respectively.

e. Loss on early repayment of long-term debt

Under United States GAAP, the loss on early repayment of long-term debt would be reduced by the write-off of deferred foreign exchange loss in the amount of $42,102,000. In addition, the loss, net of related income taxes, would be classified as an extraordinary item for United States GAAP purposes.

f. Capital stock

United States GAAP requires that loans receivable from employees relating to share purchases be presented in the consolidated balance sheet as a deduction from capital stock. Canadian GAAP permits these amounts to be shown as assets in certain circumstances.

United States GAAP requires the disclosure of the liquidation preference of capital stock. All series of preferred shares of the Company share equally in the distribution of assets upon liquidation, in priority to the Class A Voting and Class B Non-Voting shares.

g. Preferred shares

Pursuant to the regulations of the United States Securities and Exchange Commission, the Series XX Preferred shares of the Company, which have a mandatory redemption requirement, may not be classified as part of shareholders' equity.

h. Operating income before depreciation and amortization

United States GAAP requires that restructuring charges and depreciation and amortization be included in the determination of operating income and does not permit the disclosure of a subtotal of the amount of operating income before restructuring charges and depreciation and amortization. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before restructuring charges and depreciation and amortization.

i. Income taxes

United States GAAP requires that deferred income taxes be accounted for under the liability method, whereas Canadian GAAP requires the use of the deferral method. The difference between these two methods does not have a material effect on the amount of deferred income taxes in the consolidated financial statements.

The Company had incurred losses for income tax purposes in the amount of approximately $492,000,000 at December 31, 1996 which, if they had been accounted for, would give rise to a deferred tax asset of approximately $219,000,000. United States GAAP requires that in order to record this deferred tax asset, the realization of these timing differences must be more likely than not. The Company is not certain whether realization is more likely than not and therefore has recorded a valuation allowance against this deferred tax asset. Under Canadian GAAP, the Company must be virtually certain of the realization of these timing differences in order to record the deferred tax asset. This condition of virtual certainty does not exist and therefore the deferred tax asset has not been recorded.

j. Statements of cash flows

The following disclosure of cash flows provided by operating activities of the Company for 1996 and 1995 has been prepared in accordance with United States GAAP in conformity with the Financial Accounting Standards Board ("FASB") pronouncement entitled "Statement of Cash Flows":

(In thousands of dollars)	1996	1995
Loss for the year before discontinued operations and extraordinary items based on United States GAAP	**$(224,996)**	$(234,926)
Adjustments to reconcile the loss for the year to net cash provided by operating activities:		
Depreciation and amortization	**471,282**	418,409
Deferred income tax reduction	**(62,634)**	(18,074)
Accrued interest due on maturity of certain notes	**15,839**	15,072
Cable Television restructuring charge	**67,378**	–
Wireless Communications charge for digital telephones and corporate store closures	**20,323**	–
Gain on sale of associated company	**(25,002)**	–
Loss on sale of cable television systems	**15,278**	–
Gain on issue of warrants by subsidiary company to minority shareholder	**(27,605)**	–
Foreign exchange gain	**(2,997)**	(60,596)
Share of loss (income) of associated companies, net	**1,626**	(4,255)
Write-off of investment in and share of losses of Unitel	**–**	135,274
Write-down of investment in Claircom	**–**	34,026
Gain on sale of investments, net	**–**	(10,485)
Changes in:		
Accounts receivable	**(43,639)**	(65,119)
Accounts payable and accrued liabilities and unearned revenue	**12,457**	40,407
Deferred charges	**(52,959)**	(56,951)
Other assets	**(28,629)**	(35,062)
Net cash provided by operating activities	**$ 135,722**	$ 157,720

Additional differences between Canadian and United States GAAP are as follows:

i. Canadian GAAP permits the disclosure of a subtotal of the amount of funds provided by operations before changes in non-cash working capital items in the consolidated statements of changes in financial position. United States GAAP does not permit this subtotal to be included.
ii. United States GAAP requires that the amount of interest and taxes paid during each fiscal period be disclosed. There is no requirement to disclose this information under Canadian GAAP. The amounts of interest and taxes paid in 1996 amounted to $456,386,000 and $17,729,000, respectively, and in 1995 amounted to $414,335,000 and $13,715,000, respectively.

iii. Under United States GAAP, the non-cash portion of the proceeds received on the sale of cable television systems in the amount of $49,800,000 in 1996 would not be included in the statement of changes in financial position as a source of funds from the disposal of cable television systems or as a use of funds for the acquisition of shares and notes of Cogeco. The total cash used by investing activities would be unchanged for the year.

iv. Under United States GAAP, the non-cash issue of warrants by a subsidiary company in the amount of $32,500,000 in 1996 would not be included in the statement of changes in financial position as a financing or operating activity, resulting in an increase of $32,500,000 to the amount of net cash provided by operating activities and a decrease to the amount of net cash provided by financing activities by the same amount.

k. Selected financial data – United States dollars

The following is a summary of certain financial data of the Company prepared in accordance with United States GAAP and expressed in United States dollars. The balance sheet data has been translated at CDN$1.00 = US$0.7301 (1995 – CDN$1.00 = US$0.7325). The statement of income and cash flow data has been translated at CDN$1.00 = US$0.7330 (1995 – CDN$1.00 = US$0.7293).

Balance sheet data:

(In thousands of U.S. dollars)	1996	1995
Fixed assets	$ 2,098,053	$ 1,900,004
Total assets	4,261,792	4,057,107
Long-term debt	3,594,075	3,154,800
Shareholders' deficiency	(293,211)	(128,828)

Statement of income data:

(In thousands of U.S. dollars)	1996	1995
Revenue	$ 1,820,055	$ 1,609,700
Restructuring charges	64,285	–
Depreciation and amortization	345,450	306,694
Operating income	99,039	189,030
Loss for the year before discontinued operations and extraordinary items	164,922	172,201
Loss for the year	211,345	166,361

Cash flow data:

(In thousands of U.S. dollars)	1996	1995
Net cash provided by operating activities	$ 99,484	$ 115,025

l. Recent accounting pronouncements

The FASB has issued pronouncements "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and "Accounting for Stock-Based Compensation".

The adoption of the pronouncements "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and "Accounting for Stock-Based Compensation" in 1996 for United States GAAP purposes has not resulted in a significant impact on the consolidated balance sheet at December 31, 1996 or the consolidated statement of income (loss) for 1996 either on an actual or, in the case of "Accounting for Stock-Based Compensation", a pro forma basis.

18. Comparative amounts

Certain 1995 comparative amounts have been reclassified to conform with the financial statement presentation adopted for 1996.

Corporate Commitments

Rogers Communications Inc. recognizes that a business is an intrinsic part of the communities in which it operates and plays an important role in the lives touched by its activities. For this reason, we are committed to providing worthwhile opportunities to our customers, shareholders and employees, as well as enhancing the quality of life in the communities where we do business.

For our customers, we are committed to earning their respect and loyalty. We work hard to provide exceptional, personalized service and to be the forerunner in delivering innovative products, which provide good value.

For our shareholders, we are committed to enhancing the value of your investment through continuous improvement of a fundamentally sound organization that has the vision, the infrastructure and the people required to excel in the competitive communications industry.

For our employees, we are committed to providing a rewarding work life that ensures equal opportunity, recognizes individual achievement, fosters team spirit and provides competitive compensation. Education, training and career development are all high priorities at Rogers and are anchored by formal programs and initiatives that ensure Rogers employees have ample opportunity to improve their skills and progress in the organization.

Since 1989, Rogers Communications Inc. has been designated a "Caring Company" by the Canadian Centre for Philanthropy. We have continued our commitment to earning the goodwill of the communities we serve. Our support ranges from national initiatives to grass roots charities, both as a corporate entity, providing funding and creative applications of our technological resources, and through the individual efforts of our employees.

Rogers is committed to supporting Canadian expression. We are particularly dedicated to assisting the Canadian television and film industry and have sponsored major film and television festivals in Toronto, Vancouver, Banff, Montreal and Halifax by donating funding, communication services and personnel. Rogers Telefund, for the past 17 years, has contributed extensively to the production of quality Canadian television programming by providing highly valued interim financing. This past October, Rogers developed and launched a major Internet project called Artwave @Rogers™, which created virtual galleries for 11 of Canada's leading museums and galleries. Through the Canadian Conference of the Arts, we continue to recognize and reward innovative production of arts journalism programming in French and English language – each year honouring a deserving individual with Rogers Communications Inc.'s Media Award for Coverage of the Arts.

Rogers is committed to the well being of Canadians. We are strong supporters of the United Way and have provided both cash and resources to local chapters across Canada in virtually every community where we do business. Our commitment is further strengthened by the dedication and personal

contribution our employees make year after year to United Way campaigns organized throughout all our companies. We applaud their response to this broad community cause and will continue to support their commitment.

Rogers cares about its communities through developing and providing its own innovative programs. Each Hallowe'en, employees take part in our Pumpkin Patrol® initiative where they drive around neighbourhoods in Rogers Cable vehicles to help make a safer night for young ghosts and goblins. As well, children in hospitals throughout Western Canada and Ontario are visited by Rogers Video Jolly Trolleys that are full of donated videos to help make them laugh. Through Cable in the Classroom, Rogers provides complimentary cable service and easy access to commercial-free, educational cable programming to schools within its licensed area. Further on the education front, through WAVE@school, Rogers provides high speed cable modem access to the Internet for students in 50 Canadian schools. This service will be rolled out to up to 600 more schools in Canada over the next few years. From our wireless business, Cantel offers a charity phone program that donates free cellular phone and airtime packages to support numerous community causes across the country. In 1996, one notable Cantel campaign benefitted local chapters of the Children's Wish Foundation.

Rogers is committed to using its technologies to give people more control of their television viewing. In September 1997, Rogers will make the V-chip available to subscribers. The V-chip is the Canadian developed technology which allows parents to manage the level of television violence that comes into their homes. Rogers has played a critical role in the development of the V-chip, participating in three field trials in Vancouver, Toronto and Ottawa and providing engineering research and design support. The V-chip (the "V" stands for Violence) is a computer chip which, when combined with a program rating system, empowers parents to screen out television programs that they consider to be inappropriate for their children to watch.

It is through these commitments that Rogers endeavours to respond to the priorities of our stakeholders and create the kind of organization needed to grow and prosper. At Rogers, we are intensely aware of the importance of our stakeholders and the communities where we operate. We wish to thank our customers, our shareholders, and our employees for the roles they play in our success.

Statement of Corporate Governance Practices

The Board of Directors of the Corporation (the "Board") believes that sound corporate governance practices ("Corporate Governance Practices") are important to the well being of the Corporation and its shareholders and that these practices should be reviewed regularly to ensure that they are appropriate. A description of the Corporation's Corporate Governance Practices is set out below. This statement of Corporate Governance Practices was prepared by the Nominating and Corporate Governance Committee of the Board and approved by the Board.

The by-laws of The Toronto Stock Exchange and a policy statement of the Montreal Exchange require that this statement of Corporate Governance Practices relates the Corporate Governance Practices of the Board to the "Guidelines for Improved Corporate Governance" contained in the December, 1994 report of The Toronto Stock Exchange Committee on Corporate Governance in Canada (the "TSE Report"). The headings which appear below address the principal matters relating to the Corporation's Corporate Governance Practices in the context of the Guidelines in the TSE Report.

In this statement, the term "unrelated director" has the meaning given to it in the TSE Report – a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interest of the Corporation, other than interests arising from shareholding. The term "related director" means a director who is not an unrelated director.

For the purposes of the TSE Report, a director is classified as "related" or "unrelated" for all purposes, irrespective of the particular matter before the Board and the nature of the relationship of the director to the Corporation.

Mandate of the Board

The Board has explicitly assumed responsibility for the stewardship of the Corporation including the matters specifically referred to in the TSE Report. The Board discharges its responsibilities either directly or through its committees. There were six regularly scheduled Board meetings during 1996, together with four additional meetings of the full Board. There was one meeting of the Board in 1996 without directors and officers who are members of management being present. Nine meetings of the Board are currently scheduled for 1997. In addition, during two of these meetings, the Board will meet without members of management being present.

Frequency of Board meetings as well as the nature of agenda items change depending on the state of the Corporation's affairs and in light of opportunities or risks which the Corporation faces.

Composition of the Board

The Board is composed of 15 members, of whom only two are members of the Corporation's management. The Board believes 11 directors are unrelated directors and the remainder (including the two directors who are members of management) are related directors, within the definitions in the TSE Report. Accordingly, the Board is constituted with a majority of individuals who qualify as unrelated directors, within the meaning of the TSE Report. In deciding whether a particular director is a related director or an unrelated director, the Board examined the factual circumstances of each director's relationship to management and the Corporation and considered them in the context of many factors, including the broad definitions in the TSE Report.

Reflection of Interests of Shareholders in Board Composition

The Corporation is controlled by Mr. Edward S. Rogers, O.C., who, directly or indirectly, owns approximately 90.2% of the voting shares and approximately 35.1% of the total outstanding number of common shares of the Corporation and is a "significant shareholder" within the meaning of that term in the TSE Report.

The Board believes that eight of the unrelated directors (or over 50% of the total number of directors) do not have any interests in or relationships with either the Corporation or the significant shareholder or any of its affiliates.

The Board believes that the current composition of the Board is appropriate given the structure of the Corporation's share capital and does believe that these eight directors do ensure that the views of shareholders other than the significant shareholder are brought to the Board. The Board also believes that the composition of the full Board which includes 13 directors who are not part of the management of the Corporation and the other Corporate Governance Practices that the directors have adopted also serve this purpose. Such practices include semi-annual meetings of the Board without directors and officers who are members of management being present and the establishment of the Nominating and Corporate Governance Committee and the other committees of the Board and their respective mandates.

The Board also believes that it is not in the best interest of the shareholders of the Corporation to either increase the size of the Board or, alternatively, reduce the number of the directors who are related to the significant shareholder or its affiliates. The Board believes that all of the directors on the Board act objectively with a view to the best interest of the Corporation and make a valuable contribution to the Board and the Corporation for the benefit of all the shareholders including shareholders other than the significant shareholder.

Independence from Management

Mr. Edward S. Rogers, O.C., is the President and Chief Executive Officer of the Corporation and serves as a director. Mr. H. Garfield Emerson, Q.C., is the Chairman of the Board and has the responsibility to ensure that the Board discharges its responsibilities. The Chairman is not a member of the Corporation's management. The Chairman oversees the preparation of the agenda for each Board meeting and ensures that an extensive information package is sent to each director in advance of the meeting.

Board Committees

The Board has six committees: the Audit Committee, the Management Compensation Committee, the Pension Committee, the Executive Committee, the Nominating and Corporate Governance Committee, and the Strategic Planning Advisory Committee. From time to time ad hoc committees of the Board are appointed to deal with specific matters. In the past a special committee of directors has been appointed to consider material transactions between the Corporation and affiliates of the Corporation.

udit Committee

'he Audit Committee is composed of a majority of unrelated directors and does not include any mem-ers of management. The committee is responsible for reviewing the Corporation's financial reporting rocedures, internal controls and information systems and the performance of the Corporation's exter-al auditors. The committee is also responsible for reviewing quarterly financial statements and the nnual financial statements prior to their approval by the full Board. The Audit Committee met five mes in 1996. Its members were Messrs. Wansbrough, Besse, Emerson, Korthals, Peterson and Stewart.

lanagement Compensation Committee

'he Management Compensation Committee is composed of a majority of unrelated directors. 'he committee makes recommendations to the Board on, amongst other things, the compensation f senior executives. The committee also reviews the Corporation's succession plans. The committee 1et three times in 1996. Its members were Messrs. Hull, Besse, Emerson, Korthals, Phelps (from 1ay 1, 1996), Tory and Wilson.

ension Committee

'he Pension Committee is composed of an equal number of related and unrelated directors and eviews the provisions of the pension plan and the investment performance of the pension plan. 'he committee held one meeting in 1996. Its members were Messrs. Gnat, Hull and Wilson. 1r. Robert Smith was a member of the committee representing Rogers Cantel Mobile Communications Inc.

xecutive Committee

'he Executive Committee is composed of a majority of related directors. The Executive Committee as delegated to it all of the powers that may be delegated to an Executive Committee under the Corporation's incorporating statute, being the Company Act of British Columbia. The committee net three times in 1996. Its members were Messrs. Emerson, Hull, Rogers and Tory.

lominating and Corporate Governance Committee

'he Nominating and Corporate Governance Committee (previously the Nominating Committee) is omposed of a majority of related directors. It is responsible for making recommendations to the full Board with respect to developments in the area of corporate governance and the practices of the Board. The committee is also responsible for reporting to the Board with respect to appropriate can-lidates for nomination for election to the Board, for providing an orientation program for new lirectors and for evaluating the performance of the Board as a whole, its committees and the contri-ution of each individual director. The committee met once in 1996. Its members were Messrs. Emerson, Gnat, Gray, Hull, Rogers and Tory.

trategic Planning Advisory Committee

Following a recommendation from the Board, the Strategic Planning Advisory Committee was established in 1996 and is composed of a majority of unrelated directors. The committee reviews with

management the strategic planning process of the Corporation principally in the areas of corporate development, regulatory developments and financing, and reports thereon to the full Board. Its members are Messrs. Emerson, Gray, Korthals, Rogers, Tory, Wansbrough and Wilson. The Committee met three times in 1996.

Decisions Requiring Board Approval

In addition to those matters which must by law be approved by the Board, management is also required to seek Board approval for any unbudgeted expenditure in excess of $5 million. Management is also required to obtain Board approval before entering into any major strategic initiative or any venture which is outside the Corporation's existing businesses.

Board Performance

As noted earlier, the Nominating and Corporate Governance Committee has the mandate to recommend to the Board nominees for election as Board directors and for evaluating the performance of the Board as a whole, its committees and the contributions of each director.

It is the responsibility of the Chairman of the Board, who is not a member of management, to ensure the effective operation of the Board in fulfilling its mandate including its duties and objectives. At least one Board meeting each year is planned to be held at a site other than the Corporation's head office, with a view to permitting the directors to better understand the Corporation's businesses.

Investor Feedback

The Corporation maintains an Investor Relations department which the Board believes is important and highly effective. Every investor inquiry receives a prompt response from the Investor Relations department or an appropriate officer of the Corporation.

Board's Expectations of Management

The information which management provides to the Board is critical. Directors must have confidence in the data gathering, analysis and reporting functions of management. The Chairman of the Board and the Nominating and Corporate Governance Committee of the Board monitor the nature of the information requested by and provided to the Board by management so that it is able to determine if the Board can be more effective in identifying problems and opportunities for the Corporation.

As part of the Board's mandate to be responsible for the stewardship of the Corporation's strategic planning process and the identification of the principal risks to the Corporation's businesses, the Board recommended that it constitute the Strategic Planning Advisory Committee. This Committee's mandate is to review such matters and related issues with management and to report on a regular basis to the full Board.

In addition, periodically the Board meets without the presence of directors and officers who are members of management of the Corporation. One such meeting took place in 1996 and two such meetings are scheduled during 1997.

The Chief Executive Officer has provided a detailed job description for the office of the Chief Executive which specifically outlines his responsibilities. This job description has been approved by the Board. The Chief Executive Officer's written objectives for the current year have been reviewed and approved by the Management Compensation Committee.

Directors and Officers

Directors

Ronald D. Besse† ‡
Chairman, President and
Chief Executive Officer
Canada Publishing Corporation

H. Garfield Emerson, Q.C.† ‡ * ❖ ◇
President and Chief Executive Officer
Rothschild Canada Limited

Albert Gnat, Q.C.◆ ❖
Senior Partner
Lang Michener

Gordon C. Gray, F.C.A.❖ ◇
Chairman
Rio Algom Limited

Thomas I. Hull* ◆ ❖ ‡
Chairman and Chief Executive Officer
The Hull Group Inc.

Robert W. Korthals† ‡ ◇
Company Director

Philip B. Lind
Vice Chairman
Rogers Communications Inc.

The Hon. David R. Peterson, P.C., Q.C.†
Senior Partner
Cassels, Brock & Blackwell

Michael E. J. Phelps‡
Chairman and Chief Executive Officer
Westcoast Energy Inc.

Edward S. Rogers, O.C.* ❖ ◇
President and Chief Executive Officer
Rogers Communications Inc.

Loretta A. Rogers
Company Director

Ian H. Stewart, Q.C.†
President
Seacoast Equities Inc.

John A. Tory, Q.C.‡ * ❖ ◇
Deputy Chairman
The Thomson Corporation

J. Christopher C. Wansbrough† ◇
Chairman
OMERS Realty Corporation

W. David Wilson‡ ◆ ◇
President and
Deputy Chief Executive Officer
ScotiaMcLeod Inc.

* Member of the Executive Committee
† Member of the Audit Committee
‡ Member of the Management Compensation Committee
◆ Member of the Pension Committee
❖ Member of the Nominating and Corporate Governance Committee
◇ Member of the Strategic Planning Advisory Committee

Officers

John W. Graham, Q.C.
Chairman Emeritus

H. Garfield Emerson, Q.C.
Chairman

Philip B. Lind
Vice Chairman

Edward S. Rogers, Q.C.
President and Chief Executive Officer
Rogers Communications Inc.
and Acting-President and
Chief Executive Officer
Rogers Cablesystems Limited

Stanley J. Kabala
Chief Operating Officer,
Telecommunications

John H. Tory, Q.C.
Chief Operating Officer, Media

Anthony P. Viner
Senior Vice President, Broadcasting

Ronan D. McGrath
President, Rogers Shared Services and
Chief Information Officer

Michael Allen
Vice President, Regulatory

M. Lorraine Daly
Vice President, Treasurer

Bruce D. Day, C.A.
Vice President, Corporate Development

Kenneth G. Engelhart
Vice President, Regulatory Law

Alan D. Horn, C.A.
Vice President, Finance and
Chief Financial Officer

W. Wayne Howard, C.A.
Vice President and Senior Controller

Jan L. Innes
Vice President, Communications

Roger D. Keay
Vice President, Technology and
Strategic Planning

David P. Miller
Vice President, General Counsel

David A. Robinson
Vice President, Investor Relations

David J. Watt
Vice President, Telecom Affairs

Graeme H. McPhail
Assistant General Counsel

Daphne Evans
Secretary

Monica F. Simmie
Assistant Secretary

Ian H. Stewart, Q.C.
Assistant Secretary

Corporate Information

Corporate Office

Rogers Communications Inc.
Suite 6400, Scotia Plaza
P.O. Box 1007
40 King Street West
Toronto, ON M5H 3Y2
(416) 864-2373 Fax: (416) 864-2365

Institutional investors, security analysts and others who want financial information about any of the Rogers companies should write to David A. Robinson, Vice President, Investor Relations at the corporate office or call (416) 864-2348, or fax (416) 864-2365.

On pourra se procurer le texte français de ce rapport annuel en communiquant avec David A. Robinson en téléphonant au (416) 864-2348.

For all media inquiries, please contact Jan Innes, Vice President, Communications at (416) 864-2346.

If you have any questions or comments about the Rogers Group of Companies, you can use our electronic mail address: info@rogers.com

Annual General and Special Meeting

The Annual General and Special Meeting of the shareholders of Rogers Communications Inc. will be held at 11:00 a.m. (Toronto time) Friday, May 2, 1997 at the John W.H. Bassett Theatre, Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario.

Primary Bankers

The Bank of Nova Scotia, The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce and the Royal Bank of Canada.

Auditors

KPMG

Valuation Day Price

For Canadian income tax purposes, the cost basis on valuation day, December 22, 1971, for the common shares of Rogers, adjusted for all prior share splits, is $0.50446 per share.

Annual Information Form

A copy of the Rogers AIF is available on request by writing to the corporate office.

Share Information

Common Shares in Canada: listed on the Toronto, Montreal, Alberta and Vancouver stock exchanges.

Class A voting shares
RCI.A CUSIP # 775109101

Class B non-voting shares
RCI.B CUSIP # 775109200

Common Shares in the United States: listed on the New York Stock Exchange.

Class B non-voting shares
RG CUSIP #775109200

Transfer Agent: Montreal Trust Company of Canada (416) 981-9633 or 1-800-663-9097 and The Bank of Nova Scotia Trust Company of New York (212) 225-5438.

Bond Information

Rogers Communications Inc.

Convertible Subordinated Debentures
Due 1999 (CDN$)
CUSIP # 775109AA9
Trustee and Transfer Agent:
The Royal Trust Company 1-800-387-0825

Senior Debentures Due 2004
CUSIP # 775109AC5
Trustees and Transfer Agents:
The Chase Manhattan Bank 1-800-648-8380
National Trust Company 1-800-387-0825

Convertible Debentures Due 2005
CUSIP # 775109AE1
Trustees and Transfer Agents:
The Bank of Nova Scotia Trust Company of New York (212) 225-5470
The R-M Trust Company 1-800-387-0825

Senior Notes Due 2006
CUSIP # 775109AF8
Trustees and Transfer Agents:
The Chase Manhattan Bank 1-800-648-8380
The R-M Trust Company 1-800-387-0825

Senior Notes Due 2006 (CDN$)
CUSIP # 775109AG6
Trustees and Transfer Agents:
The Chase Manhattan Bank 1-800-648-8380
The R-M Trust Company 1-800-387-0825

Liquid Yield Option Notes Due 2013
CUSIP # 775109AD3
Trustees and Transfer Agents:
The Bank of Nova Scotia Trust Company of New York (212) 225-5470
The R-M Trust Company 1-800-387-0825

Rogers Cablesystems Limited

Senior Secured Second Priority Notes
Due 2002
CUSIP # 775100AA8
Trustee and Transfer Agent:
The Chase Manhattan Bank 1-800-648-8380

Senior Secured Second Priority Notes
Due 2005
CUSIP # 775100AD2
Trustee and Transfer Agent:
The Chase Manhattan Bank 1-800-648-8380

Senior Secured Second Priority Debentures
Due 2007
CUSIP # 775100AF7
Trustee and Transfer Agent:
The Chase Manhattan Bank 1-800-648-8380

Senior Secured Second Priority Debentures
Due 2012
CUSIP # 775100AB6
Trustee and Transfer Agent:
The Chase Manhattan Bank 1-800-648-8380

Senior Secured Second Priority Debentures
Due 2014 (CDN$)
CUSIP # 775100AC4
Trustee and Transfer Agent:
The Chase Manhattan Bank 1-800-648-8380
Co-Transfer Agent:
The R-M Trust Company 1-800-387-0825

Senior Subordinated Guaranteed Debentures
Due 2015
CUSIP # 775100AG5
Trustee and Transfer Agent:
The Chase Manhattan Bank 1-800-648-8380

Senior Subordinated Notes Due 2000
Private Placement # 77509*AA2

Rogers Cantel Inc.

Senior Secured Notes Due 2006
CUSIP # 775101AA6
Trustees and Transfer Agents:
The Chase Manhattan Bank 1-800-648-8380
The R-M Trust Company 1-800-387-0825

Senior Secured Debentures Due 2008
CUSIP # 775101AB4
Trustees and Transfer Agents:
The Chase Manhattan Bank 1-800-648-8380
The R-M Trust Company 1-800-387-0825

Senior Secured Debentures Due 2016
CUSIP # 775101AC2
Trustees and Transfer Agents:
The Chase Manhattan Bank 1-800-648-8380
The R-M Trust Company 1-800-387-0825

Senior Subordinated Guaranteed Notes
Due 2002
CUSIP # 775103AB0
Trustee and Transfer Agent:
Bank of Montreal Trust Company
(212) 701-7652